Public Accounts

Volume 1 — Consolidated Financial Statements

For the fiscal year ended March 31, 2018

NOVA SCOTIA

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Message from the Minister

The Province of Nova Scotia reported a surplus of $230.0 million in its Public Accounts for the year ended March 31, 2018. This surplus was $98.4 million higher than the budgeted surplus of $131.6 million and $78.8 million higher than the prior year's surplus.

Government has worked hard to put the province on the path to fiscal sustainability. This allows us to make investments in health care, education, and communities. We know there is more we can do, and we are committed to working with Nova Scotians to build a stronger province where everyone can grow and succeed.

Total consolidated revenues were $11.98 billion, an increase of $454.4 million from estimate primarily due to a one-time adjustment in petroleum royalties and interest revenue relating to an arbitration process over the treatment of transportation costs in the royalty calculations. Increases in other revenue sources included income taxes, provincial recoveries, other revenues from controlled entities, and net income from government business enterprises.

Total consolidated expenses were $11.75 billion, an increase of $356.0 million from estimate mainly due to investments in the Nova Scotia Internet Funding Trust and Nova Scotia Research Trust, additional liabilities for contaminated sites, and increases for various health care services and physician incentive payments. These increases were partially offset by various project delays and operational savings.

The Province's Net Debt as at March 31, 2018 was $14.96 billion. Nova Scotia's growth in nominal GDP was an expected 3.5 per cent in the calendar year 2017 and an expected 2.8 per cent in the calendar year 2018. As a result, Net Debt-to-GDP for the 2018 fiscal year was 34.6 per cent, 1.2 percentage points lower than the prior year.

Detailed analysis of these results is contained within this document.

These consolidated financial statements are in accordance with Canadian public sector accounting standards and have received an unqualified opinion from the Auditor General of Nova Scotia.

Karen Casey

Honourable Karen Casey
Minister of Finance and Treasury Board

Introduction to the Public Accounts

In accordance with the *Finance Act*, the Minister of Finance and Treasury Board for the Province of Nova Scotia (Province) produces the Public Accounts annually to report on the operating results and financial condition of the Province. Volume 1 of the Public Accounts includes general purpose financial statements meant to meet the needs of a variety of users. They are prepared on a consolidated basis, meaning that they include the financial information of the departments of government as well as Crown corporations, boards, and other entities owned or controlled by the Province.

These consolidated financial statements are prepared in accordance with Canadian public sector accounting standards. For purposes of the Province's financial statements, this refers to the Public Sector Accounting Standards (PSAS) of the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada), supplemented where appropriate by other accounting standards of CPA Canada and the International Federation of Accountants.

The 2018 Public Accounts *Volume 1 — Consolidated Financial Statements* commences with the Financial Statement Discussion and Analysis (FSD&A) section. The FSD&A is a reporting practice recommended by PSAB, and responsibility for its preparation rests with management. This section presents comparative financial highlights of the consolidated financial statements including all the entities owned or controlled by the government, as well as selected financial highlights of the General Revenue Fund itself. The FSD&A also includes an overview of the provincial debt and the Nova Scotia economy. The government is responsible for the integrity, objectivity, and fair presentation of the information in the FSD&A. The Controller prepares the FSD&A in accordance with PSAS on behalf of the Minister and the Deputy Minister of Finance and Treasury Board.

The General Revenue Fund is the level at which the annual estimates are prepared in detail for approval by the provincial government. Therefore, the FSD&A includes a section on the Selected Highlights of the General Revenue Fund that provides more detailed information and budget-to-actual analysis on revenues, departmental expenses, tangible capital assets, additional appropriations, and debt servicing costs. The General Revenue Fund is comprised of all departments and public service units of the Nova Scotia Government, excluding other governmental units (GUs) and government business enterprises (GBEs) owned or controlled by the Province and government partnership arrangements (GPAs).

There are two additional publications in the Public Accounts suite of annual financial reports. *Volume 2 — Entities and Funds* is a collection of the audited financial statements of various agencies, boards, commissions, other GUs, GBEs, GPAs, and special purpose funds. *Volume 3 — Supplementary Information* is produced in accordance with the *Finance Act* as a record of the payments made by the General Revenue Fund in the fiscal year for salaries, travel, grants, and other expenses.

NOVA SCOTIA

Financial Statement Discussion and Analysis

for the fiscal year ended March 31, 2018

Financial Highlights

For the fiscal year ended March 31, 2018

($ thousands, except for Net Debt per Capita)

	2014	2015	2016	2017	2018	* 5-Year Trend	Page Ref
Performance Measures			*(as restated)*	*(as restated)*			
Sustainability							
Provincial Surplus (Deficit)	($676,851)	($143,693)	($13,201)	$151,186	$230,015	⇧	12
Provincial Surplus (Deficit) to Nominal GDP	(1.75%)	(0.36%)	(0.03%)	0.36%	0.53%	⇧	--
Net Debt	$14,761,747	$15,007,140	$15,071,580	$14,949,255	$14,959,202	⇧	13
Net Debt per Capita	$15,654	$15,928	$16,008	$15,759	$15,682	⇧	13
Net Debt to Nominal GDP	38.2%	37.8%	37.1%	35.8%	34.6%	⇩	14
Flexibility							
Debt Servicing Costs to Total Revenue	8.8%	8.4%	7.9%	7.5%	7.0%	⇩	20
Own Source Revenue to Nominal GDP	17.3%	18.3%	18.5%	18.5%	19.1%	⇧	16
Vulnerability							
Federal Transfers to Total Revenue	33.7%	31.7%	31.4%	31.2%	31.2%	⇩	16
Other Financial Indicators							
Total Revenue	$10,060,202	$10,661,920	$10,937,550	$11,230,080	$11,979,997	⇧	15
Total Expenses	$10,737,053	$10,805,613	$10,950,751	$11,078,894	$11,749,982	⇧	19
Interest on Unmatured Debt	$770,221	$778,709	$758,778	$729,470	$727,243	⇩	20
Financial Assets	$3,850,191	$4,052,277	$4,244,033	$4,710,714	$5,196,528	⇧	22
Total Liabilities	$18,611,938	$19,059,417	$19,315,613	$19,659,969	$20,155,730	⇧	24
Unmatured Debt	$12,991,397	$13,434,240	$13,524,557	$13,089,820	$13,420,391	⇧	25
Non-Financial Assets	$5,632,512	$5,757,687	$5,813,348	$5,851,754	$6,091,716	⇧	28
Accumulated Deficits	$9,129,235	$9,272,928	$9,262,654	$9,097,501	$8,867,486	⇩	31

* *An upward 5-Year Trend does not necessarily mean a positive or favourable change, and a downward 5-Year Trend does not necessarily mean a negative or unfavourable change.*

Sustainability indicates a government's ability to maintain existing services and financial obligations without the need to increase revenues or debt borrowings.

Flexibility indicates a government's ability to either expand revenues or increase debt borrowings to meet existing services and financial obligations.

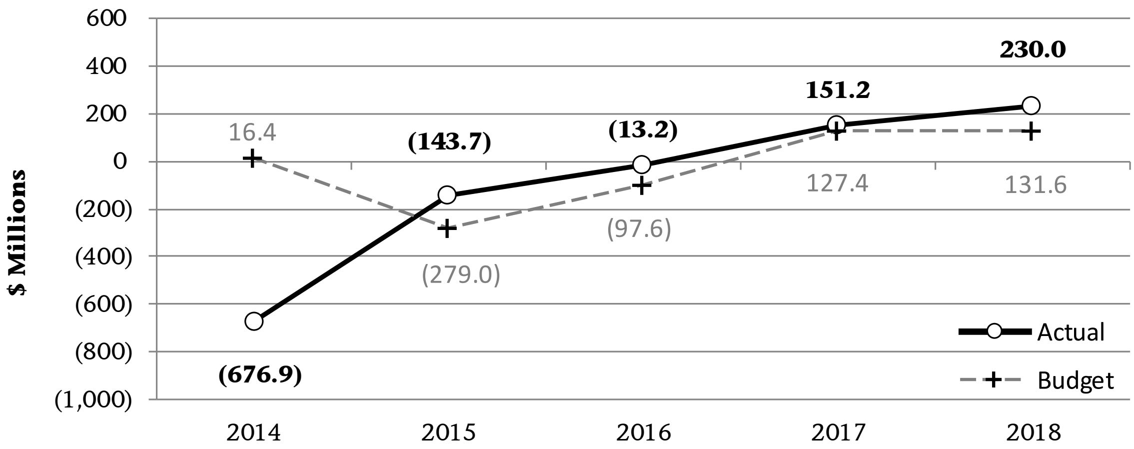
Vulnerability indicates a government's reliance on revenue sources beyond its direct control or influence and exposure to funding risks.

Provincial Surplus (Deficit)

The provincial surplus (deficit) is the net financial result of the year's operations. For the fiscal year ended March 31, 2018, total revenue was $11.98 billion (2017 – $11.23 billion) and total expenses were $11.75 billion (2017 – $11.08 billion). The resulting provincial surplus of $230.0 million was $98.4 million higher than the budgeted surplus of $131.6 million and $78.8 million higher than prior year's surplus.

The Province has reported the following net results over the past five years:

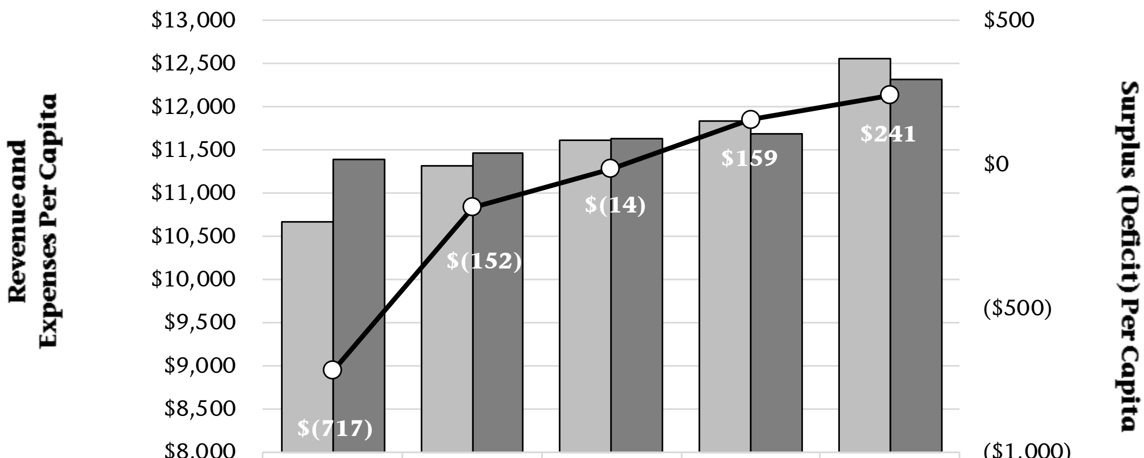
Provincial Surplus (Deficit) - 5 Year Trend



Revenue and Expenses per Capita

The provincial surplus increased by $82 per capita, from $159 per capita last fiscal year to $241 per capita in 2018. Per capita information for the past five years is shown below.

Revenue and Expenses per Capita - 5 Year Trend



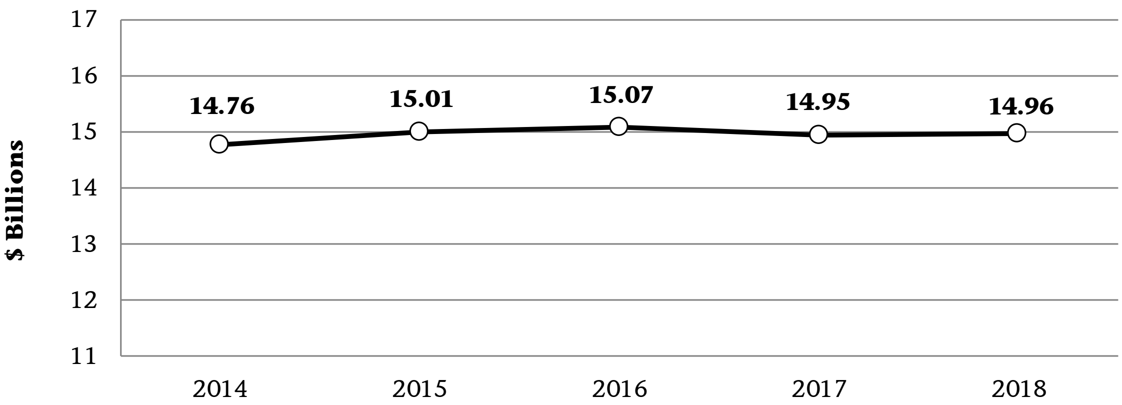
	2014	2015	2016	2017	2018
Revenue	$10,668	$11,316	$11,617	$11,838	$12,559
Expenses	$11,385	$11,468	$11,631	$11,679	$12,318
Surplus (Deficit)	$(717)	$(152)	$(14)	$159	$241

Net Debt

Net Debt results when a government's total liabilities exceed total financial assets. As a key measure of the Province's financial position, Net Debt indicates the amount that current and past generations have accumulated through the incurrence of annual deficits and net investments in non-financial assets. Net Debt represents the liabilities to be funded by future revenues, including taxation. These amounts remain as obligations for future generations to fund through annual surpluses or to continue to carry as debt.

Net Debt was $14.96 billion at March 31, 2018, $9.9 million higher than the prior year due to the $230.0 million surplus, offset by $234.5 million net investments in tangible capital assets, $2.3 million net acquisitions of supplies inventory, and $3.1 million decrease in prepaid expenses. The Province has reported Net Debt in the past five years as follows:

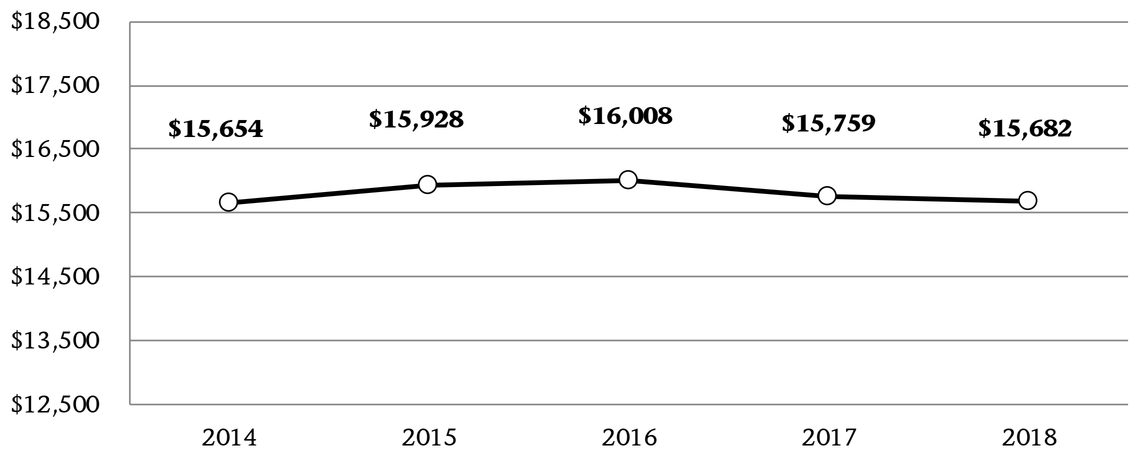
Net Debt - 5 Year Trend



Net Debt per Capita

Net Debt decreased $77 on a per capita basis from $15,759 in 2017 to $15,682 in 2018. The decrease in Net Debt per capita is attributable to the growth in Nova Scotia's population, which was partially offset by the marginal increase in overall Net Debt.

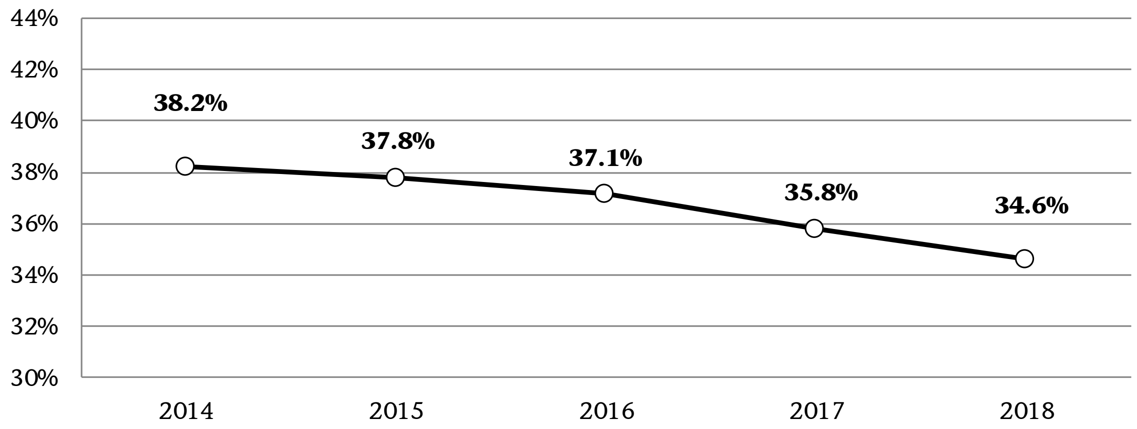
Net Debt per Capita - 5 Year Trend



Net Debt to Gross Domestic Product (GDP)

Net Debt as a percentage of the provincial nominal GDP provides a measure of the level of financial demands placed on the economy by the Province's spending and taxation policies. A higher ratio means the Net Debt of the Province is more onerous on future generations. This ratio decreased 1.2 percentage points to 34.6 per cent in 2018. Over the past five years, the Net Debt to GDP ratio has decreased 3.6 percentage points from 38.2 per cent in 2014.

Net Debt to GDP - 5 Year Trend

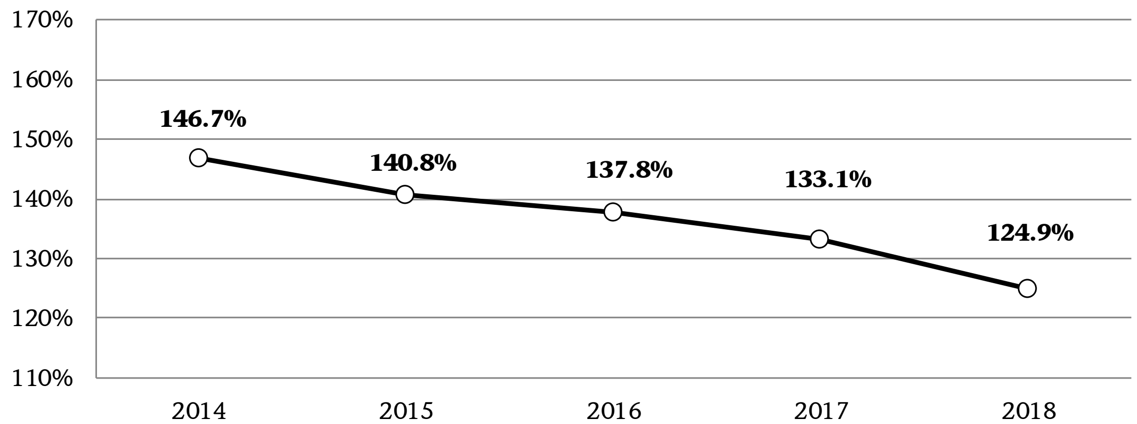


Net Debt to Total Revenue

Net Debt provides a measure of the future revenues required to pay for past deficits and investments in non-financial assets. An increasing ratio of Net Debt to Total Revenue would indicate that more time is necessary to eliminate Net Debt.

Net Debt as a percentage of total revenue decreased 8.2 percentage points from the previous year to 124.9 per cent. Over the past five years, this ratio has decreased 21.8 percentage points from 146.7 per cent in 2014.

Net Debt to Total Revenue - 5 Year Trend



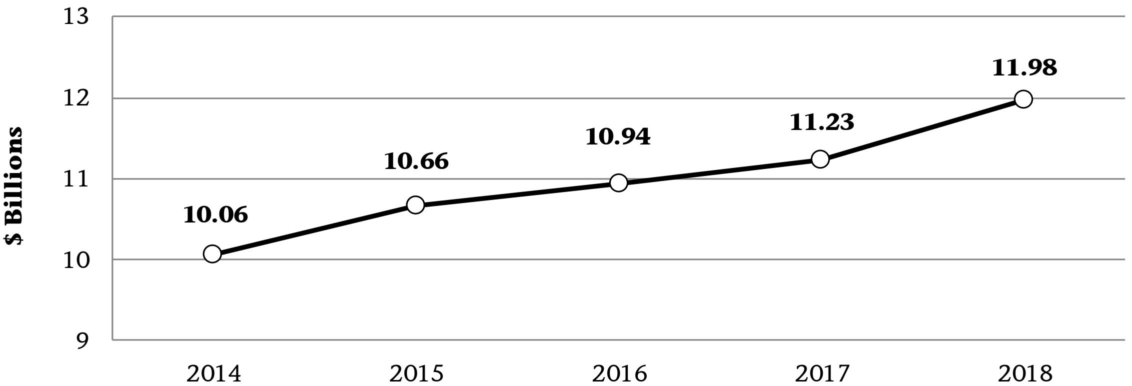
Revenue

On a consolidated basis, total revenue for the year was $454.4 million higher than estimate and $749.9 million higher than the prior year. These increases were attributable to changes in revenue from taxes, petroleum royalties, recoveries, interest, and federal contributions of the General Revenue Fund. Other revenues were earned from a variety of sources by the General Revenue Fund and the Province's controlled entities. Additional details on General Revenue Fund revenue variances are provided commencing on page 38 of this publication.

Revenue
($ thousands)

	Adjusted Estimate 2018	Actual 2018	Actual 2017	Actual vs Estimate	Actual vs Actual
Provincial Sources			*(as restated)*		
Tax Revenue					
Income Taxes	3,217,221	3,302,452	3,227,185	85,231	75,267
Sales Taxes	2,316,216	2,250,282	2,177,636	(65,934)	72,646
Other Tax Revenue	160,763	181,545	171,718	20,782	9,827
Other Provincial Revenue					
Petroleum Royalties	11,973	269,143	1,799	257,170	267,344
Recoveries	403,666	433,761	417,921	30,095	15,840
Revenue from GUs	489,848	524,281	543,132	34,433	(18,851)
Municipal Contributions to Regional School Boards	262,346	262,264	258,083	(82)	4,181
Miscellaneous	397,318	403,368	352,102	6,050	51,266
Net Income from GBEs	378,754	390,198	394,591	11,444	(4,393)
Investment Income					
Interest Revenue	95,531	133,083	95,072	37,552	38,011
Sinking Fund Earnings	100,519	96,546	90,475	(3,973)	6,071
	7,834,155	8,246,923	7,729,714	412,768	517,209
Federal Sources					
Equalization Payments	1,750,644	1,794,968	1,732,893	44,324	62,075
Other Federal Transfers	1,940,833	1,938,106	1,767,473	(2,727)	170,633
	3,691,477	3,733,074	3,500,366	41,597	232,708
Total Revenue	11,525,632	11,979,997	11,230,080	454,365	749,917

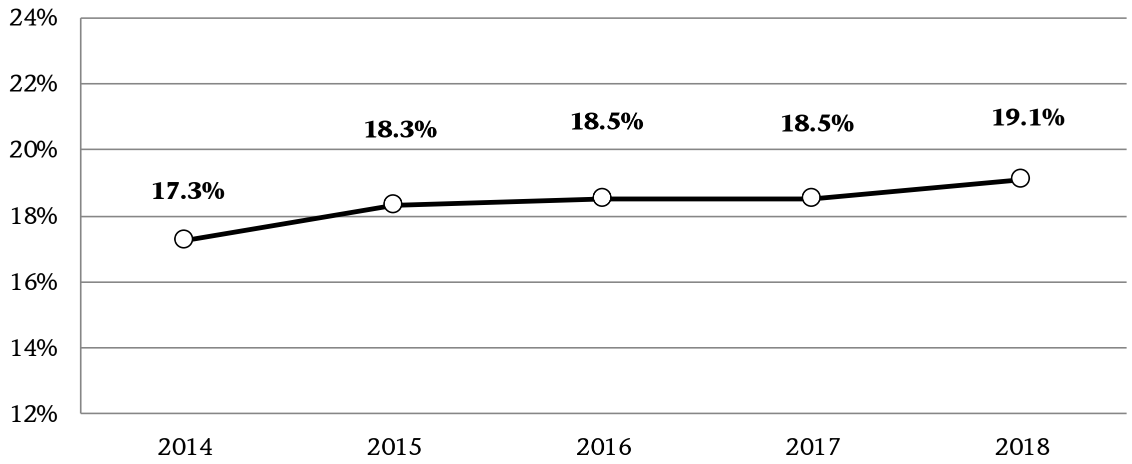
Total Revenue - 5 Year Trend



Own Source Revenue to Gross Domestic Product

Own source revenue as a percentage of the provincial nominal GDP measures the extent to which the Province is deriving income from the provincial economy, either through taxation, user fees, recoveries, or other provincial revenues. This ratio increased by 0.6 percentage points from the previous year to 19.1 per cent. Over the past five years, this ratio has ranged from a low of 17.3 per cent in 2014 to a high of 19.1 per cent in 2018, which shows how the Province's demands on the provincial economy have changed during this time.

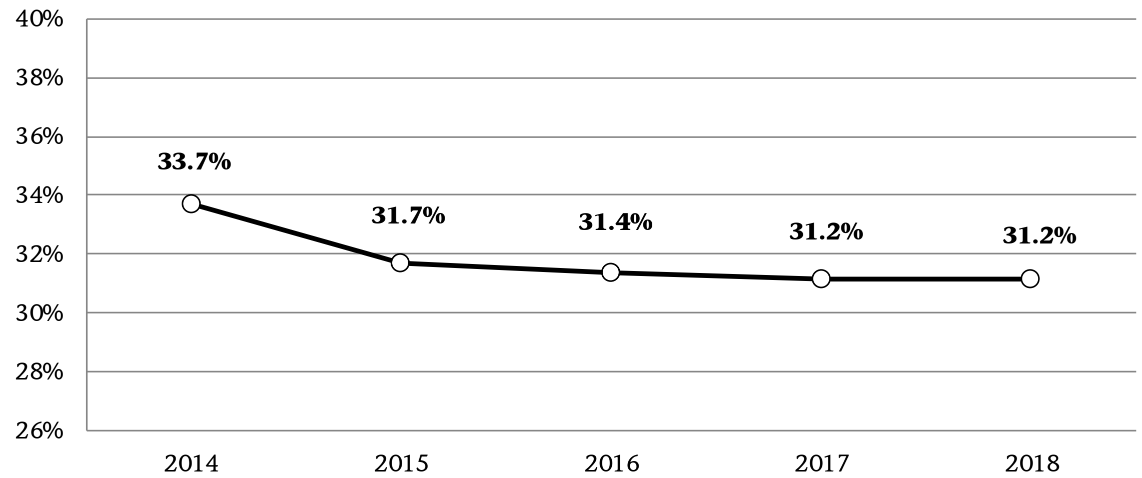
Own Source Revenue to GDP - 5 Year Trend



Federal Transfers to Total Revenue

Federal transfers as a percentage of total revenue measures the extent of funding from the federal government. Some of these transfers are dependent on policy decisions at the federal level and are generally outside the control of the provincial government. This ratio remained the same as the previous year at 31.2 per cent. The percentage of federal transfers to total revenue remained relatively consistent for the Province over the past five years, decreasing by 2.5 percentage points from 33.7 per cent in 2014 to 31.2 per cent in 2017 and 2018.

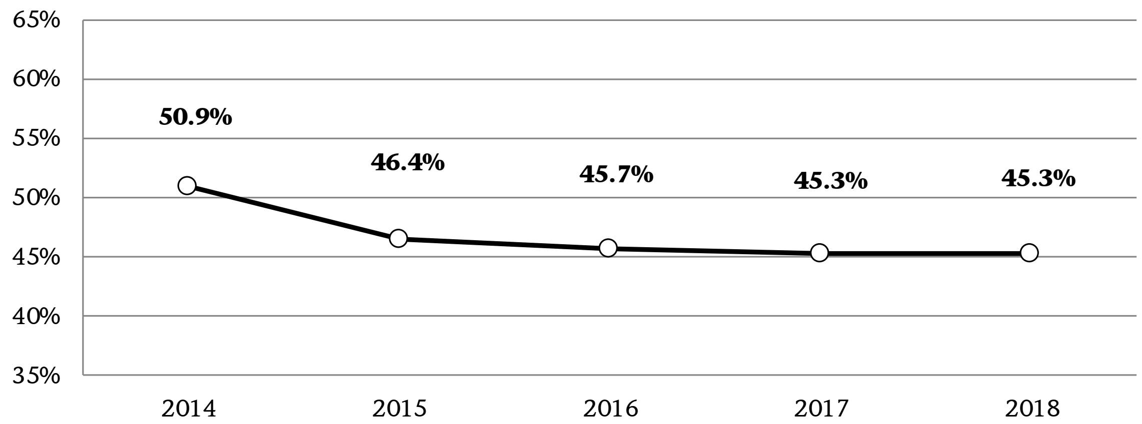
Federal Transfers to Total Revenue - 5 Year Trend



Federal Transfers to Own Source Revenue

Federal transfers as a percentage of own source revenue measures the extent to which the Province raises revenue from within the province as compared to the amount that is received from the federal government. This ratio was consistent with the previous year at 45.3 per cent. Over the past five years, this ratio has decreased by 5.6 percentage points from 50.9 per cent in 2014 to 45.3 per cent in 2017 and 2018.

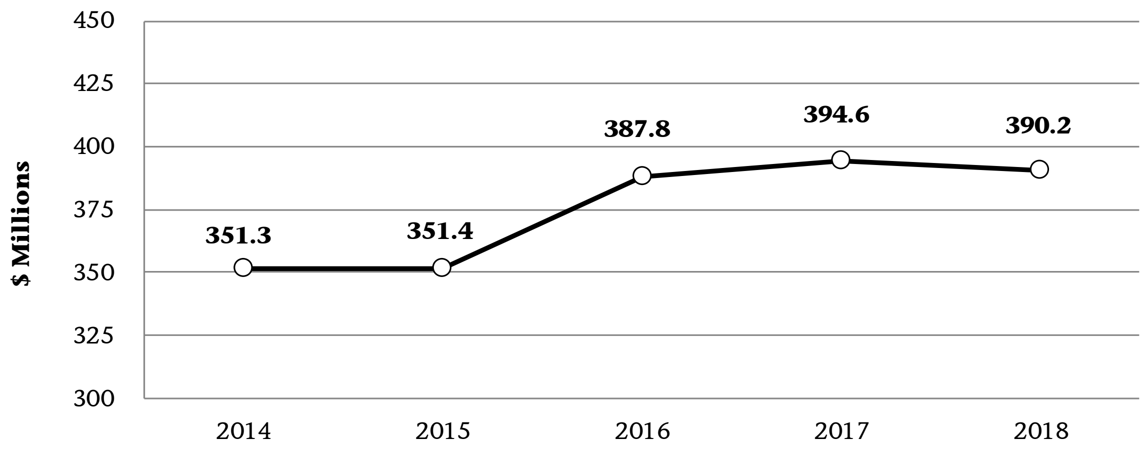
Federal Transfers to Own Source Revenue - 5 Year Trend



Net Income from Government Business Enterprises

Net income from government business enterprises (GBEs) decreased by $4.4 million from the previous year to $390.2 million. Net income from Nova Scotia Liquor Corporation decreased slightly by $0.6 million or 0.3 per cent, which was offset by an increase in net income from Nova Scotia Provincial Lotteries and Casino Corporation of $0.6 million or 0.5 per cent. Net income from Highway 104 Western Alignment Corporation increased by $1.4 million or 13.4 per cent mainly due to a 3.3 per cent increase in traffic volume and higher net investment income from favourable market returns. Net income from Halifax-Dartmouth Bridge Commission decreased by $5.8 million or 39.8 per cent as a result of increased amortization and loan interest expense relating to the Big Lift project. Net income from GBEs over the past five years was as follows:

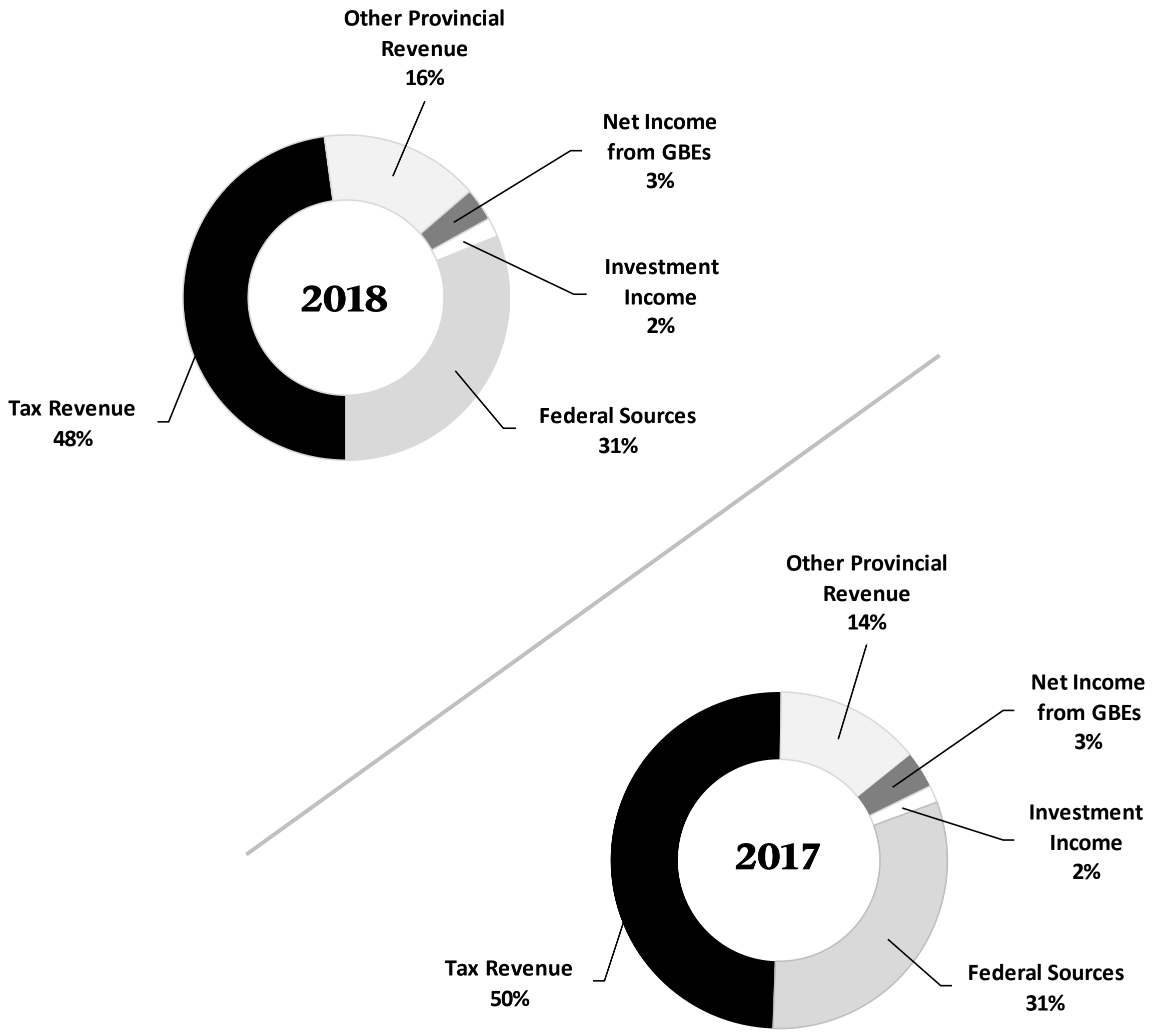
Net Income from GBEs - 5 Year Trend



Revenue by Source

The Province's revenue by major funding sources remained consistent with the prior year. The related breakdowns for fiscal years 2018 and 2017 were as follows:

Revenue by Source



Expenses

The health and education sectors made up 53.4 per cent of total expenses, compared to 54.9 per cent in 2017. Total consolidated expenses were $356.0 million higher than estimate mainly due to increases of $108.4 million in Health and Wellness for various health care services and physician incentive payments, $90.2 million in Transportation and Infrastructure Renewal for an increase to the Boat Harbour remediation accrual and increased snow and ice removal costs, and $42.8 million in Assistance to Universities for investments in the Nova Scotia Research Trust and additional post-secondary operational and capital funding. Other expenses included an investment of $180.0 million from Business in the Nova Scotia Internet Funding Trust, offset by a decrease of $54.7 million in Municipal Affairs due to project delays and net decreases of $10.7 million in all other departments.

Total expenses were $671.1 million higher than the prior year primarily due to increases of $140.2 million in Health and Wellness, $51.2 million in Education and Early Childhood Development, $40.6 million in Pension Valuation Adjustment, $36.5 million in Transportation and Infrastructure Renewal, $19.4 million in Community Services, $226.8 million in Business, $86.0 million in Municipal Affairs, $15.6 million in Energy, and net increases of $54.8 million in all other expenses.

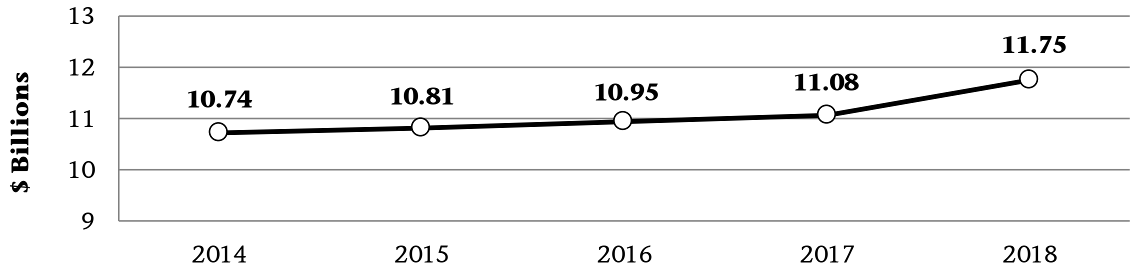
Additional details on General Revenue Fund expense variances are provided on page 44.

Expenses

($ thousands)

	Adjusted Estimate 2018	Actual 2018	Actual 2017 *(as restated)*	Actual vs Estimate	Actual vs Actual
Health and Wellness	4,494,012	4,602,421	4,462,233	108,409	140,188
Education and Early Childhood Development	1,652,038	1,670,448	1,619,279	18,410	51,169
Community Services	1,092,983	1,098,027	1,078,629	5,044	19,398
Labour and Advanced Education and Universities	863,331	910,045	897,834	46,714	12,211
Transportation and Infrastructure Renewal	468,241	558,404	521,872	90,163	36,532
Justice	341,029	339,279	328,134	(1,750)	11,145
Pension Valuation Adjustment	31,214	57,818	17,191	26,604	40,627
Debt Servicing Costs	862,714	836,376	837,014	(26,338)	(638)
Other Expenses	1,588,460	1,677,164	1,316,708	88,704	360,456
Total Expenses	11,394,022	11,749,982	11,078,894	355,960	671,088

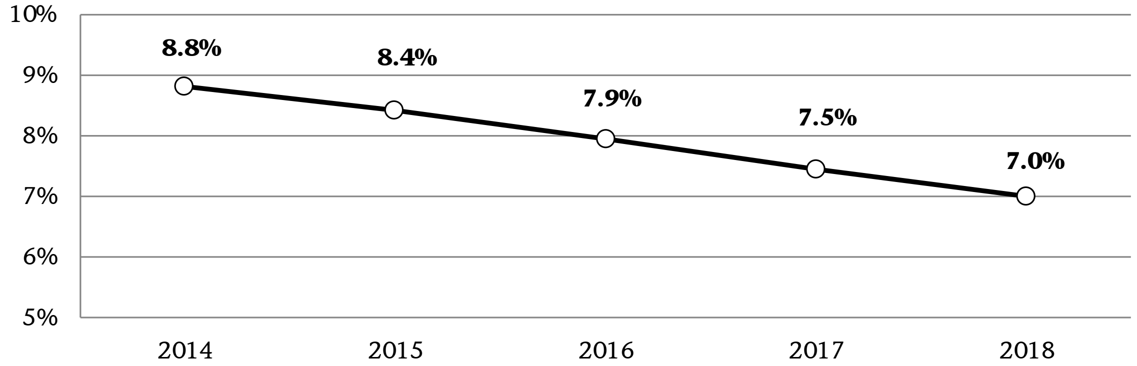
Total Expenses - 5 Year Trend



Debt Servicing Costs to Total Revenue

Debt servicing costs as a percentage of total revenue shows the proportion of every dollar of revenue that is needed to pay interest and thus is not available to pay for program initiatives or tax reductions. A lower ratio means that the Province uses less revenues to meet the interest cost on total debt outstanding, which provides greater flexibility in meeting financial and service commitments in the current year. The percentage of debt servicing costs to total revenue decreased by 0.5 percentage points from the previous year to 7.0 per cent. Over the past five years, this ratio has decreased from 8.8 per cent in 2014 to 7.0 per cent in 2018.

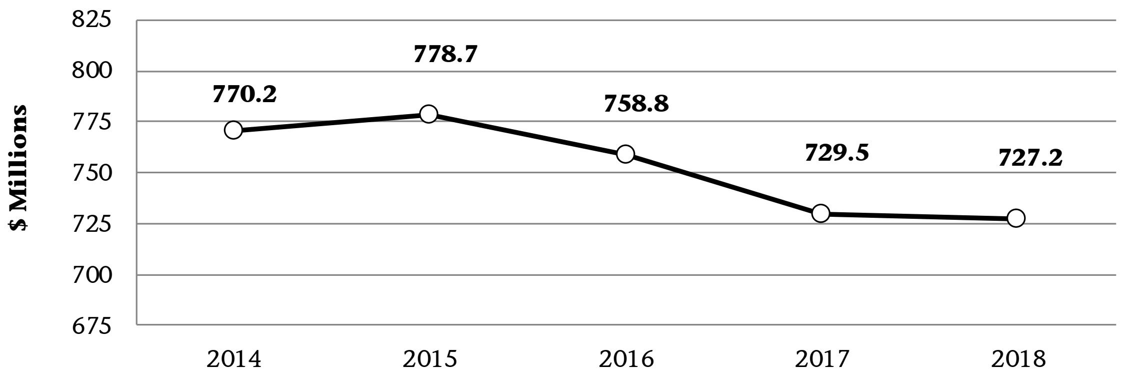
Debt Servicing Costs to Total Revenue - 5 Year Trend



Interest on Unmatured Debt

Interest on Unmatured Debt is the cost associated with servicing past borrowing decisions, including capital leases. The Province is obligated to pay these borrowing costs, and thus they are not available for general operations, such as providing programs and services to Nova Scotians. Interest on Unmatured Debt decreased by $2.3 million to $727.2 million in the current year. Over the past five years, Interest on Unmatured Debt ranged from a low of $727.2 million in 2018 to a high of $778.7 million in 2015.

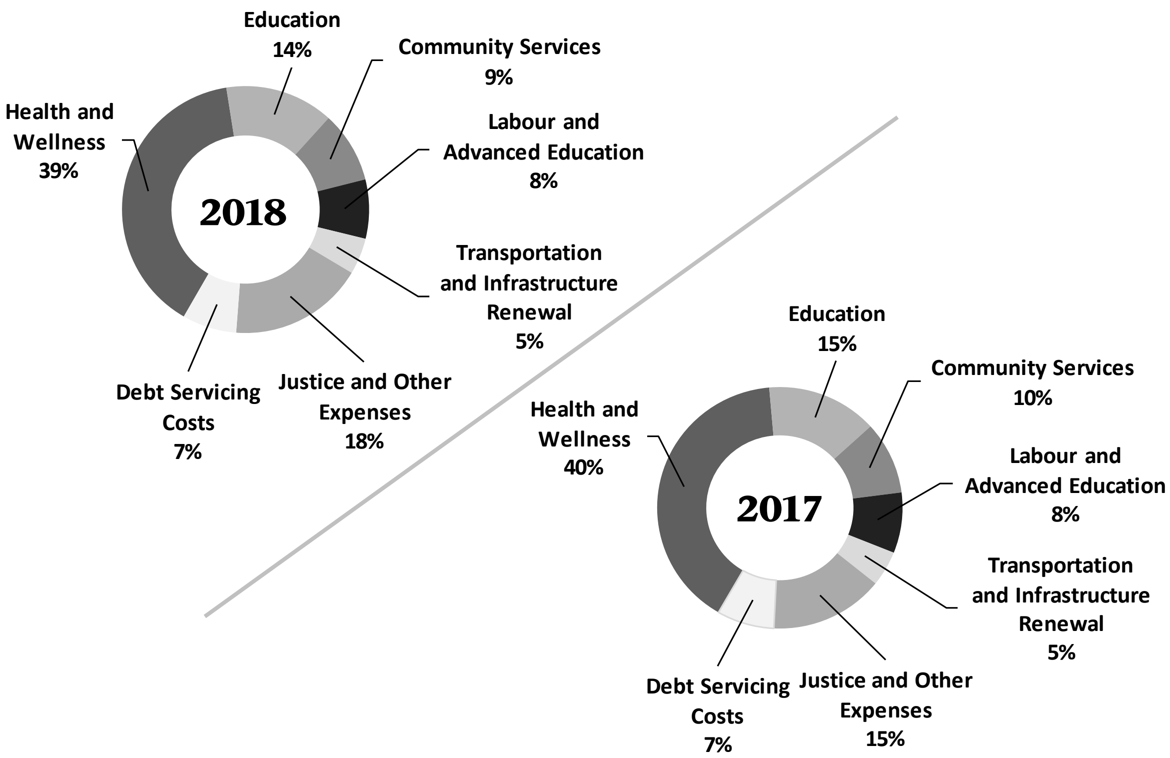
Interest on Unmatured Debt - 5 Year Trend



Expenses by Function

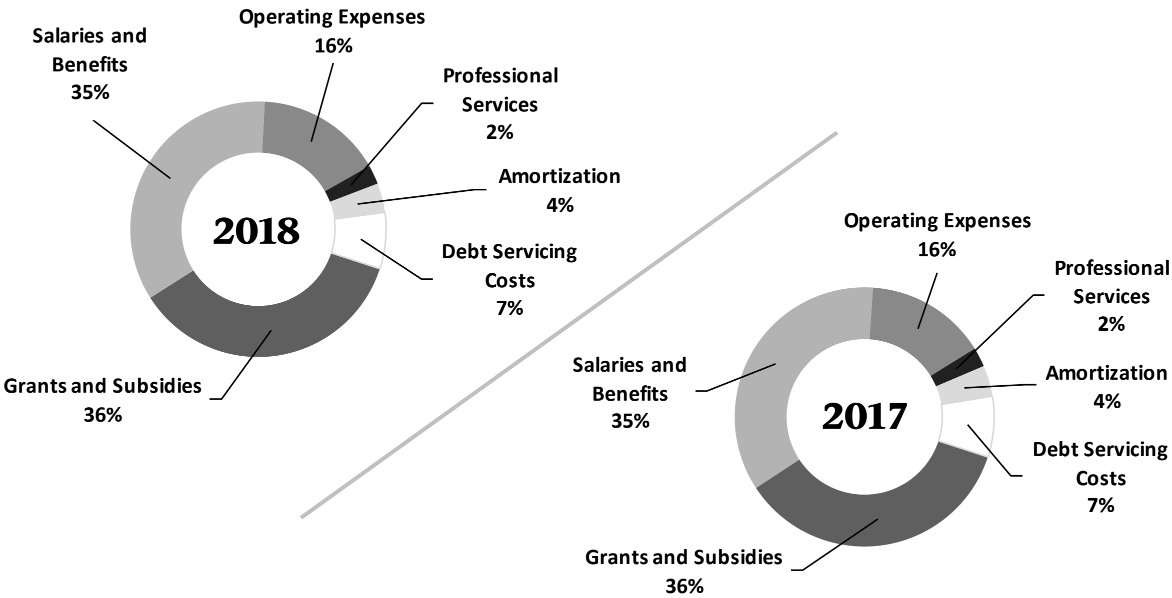
The Province's expenses by major functions remained consistent compared to the prior year. The related breakdowns for fiscal years 2018 and 2017 were as follows:

Expenses By Function



Expenses By Object

The Province's expenses by object remained consistent compared to the prior year. The related breakdowns for fiscal years 2018 and 2017 were as follows:



Financial Assets

Financial assets consist of assets available to discharge existing liabilities or to finance future operations. Financial assets increased $485.8 million from last year to $5.20 billion as at March 31, 2018. Cash and Short-Term Investments increased by $200.1 million as a result of the operating, investing, capital, and financing activities as explained on page 33. Accounts Receivable were $395.8 million higher than the prior year.

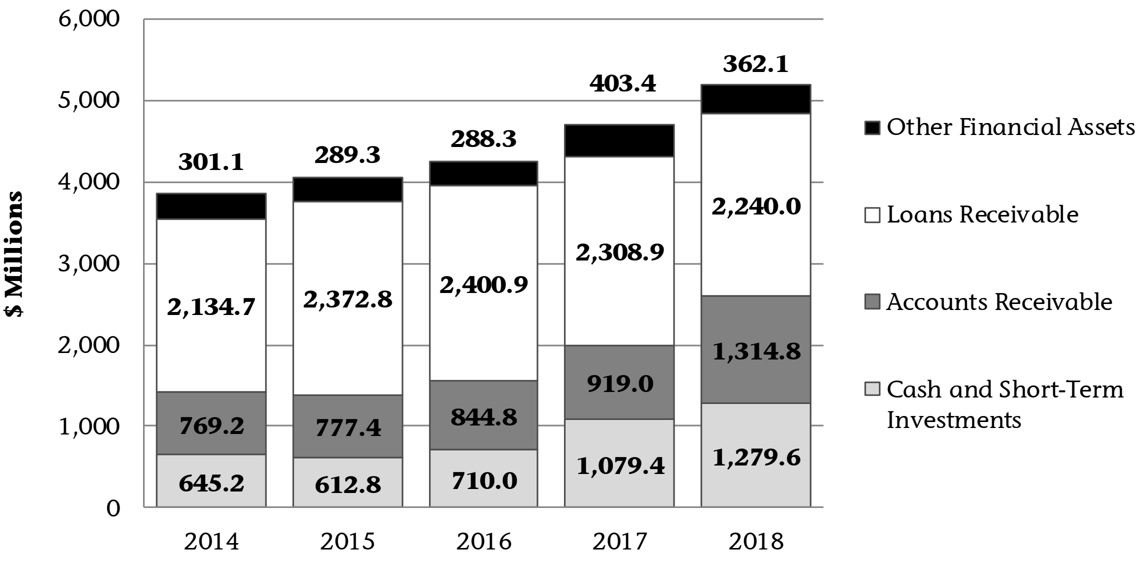
Loans Receivable decreased from last year by $68.9 million mainly due to decreases of $39.3 million in the Nova Scotia Jobs Fund from net repayments and additional provisions recorded for previous commitments, $21.8 million in the loan portfolio of Nova Scotia Municipal Finance Corporation, and $18.5 million in loans outstanding in Housing Nova Scotia. Other loan portfolios had a combined net increase of $10.7 million.

Other Financial Assets decreased by $41.3 million due to decreases of $66.7 million in Investments, mainly from Nova Scotia Strategic Opportunities Fund Incorporated and Nova Scotia Health Authority, and $0.9 million in inventories of supplies. These were offset by an increase of $26.3 million in Investment in Government Business Enterprises, mainly in Halifax-Dartmouth Bridge Commission and Highway 104 Western Alignment Corporation.

Financial Assets
($ thousands)

	Actual 2018	% of Total	Actual 2017	% of Total	Variance Increase (Decrease)
Cash and Short-Term Investments	1,279,557	24.6%	1,079,431	22.9%	200,126
Accounts Receivable	1,314,778	25.3%	918,962	19.5%	395,816
Loans Receivable	2,240,077	43.1%	2,308,943	49.0%	(68,866)
Other Financial Assets	362,116	7.0%	403,378	8.6%	(41,262)
Total Financial Assets	5,196,528	100.0%	4,710,714	100.0%	485,814

Financial Assets - 5 Year Trend



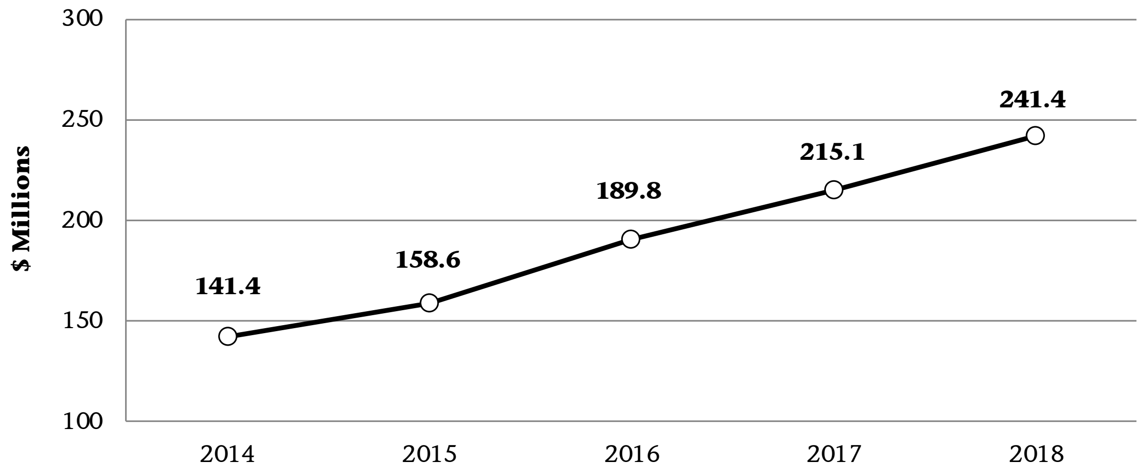
Investment in Government Business Enterprises

Other Financial Assets include the Province's financial position in four government business enterprises (GBEs), which has continually improved over the past five years from a net investment of $141.4 million at March 31, 2014 to $241.4 million at March 31, 2018. The Province's investment in GBEs increased by $26.3 million over the previous year.

The Province's investment in GBEs has increased by $100.0 million over the last five years. Net equity of the Halifax-Dartmouth Bridge Commission increased $46.8 million, Highway 104 Western Alignment Corporation increased $29.6 million, Nova Scotia Provincial Lotteries and Casino Corporation increased $28.4 million, and Nova Scotia Liquor Corporation decreased $4.8 million.

As publicly accountable enterprises, GBEs follow International Financial Reporting Standards (IFRS). More detailed information about the Province's GBEs is provided in Schedule 6 of the Public Accounts on page 105 of this publication.

Investment in GBEs - 5 Year Trend



NOVA SCOTIA

Liabilities

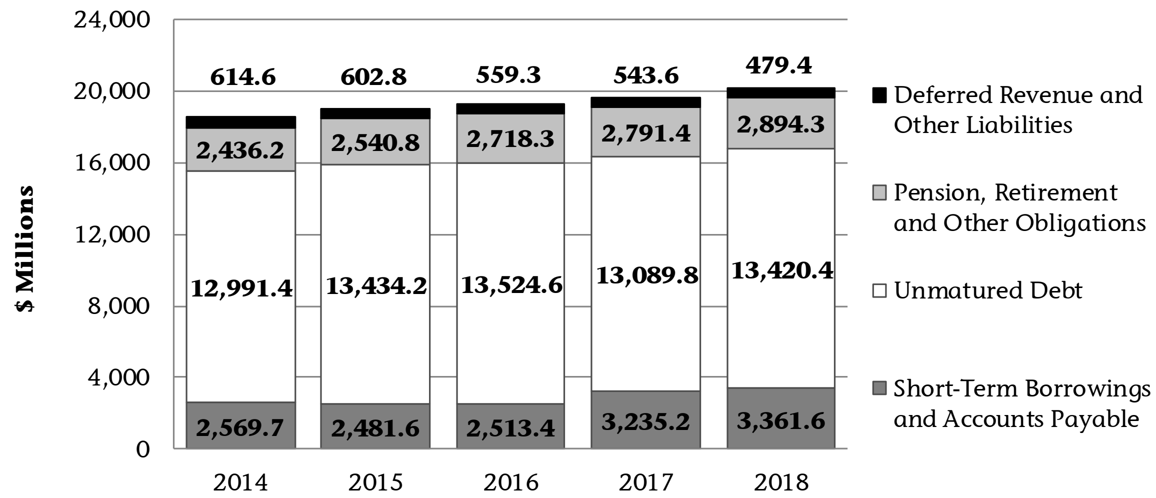
Liabilities, consisting of debts or other monetary obligations owing at March 31, 2018 and to be settled in the future, increased by $495.8 million from last year to $20.16 billion. The most significant item, Unmatured Debt, increased by $330.6 million from the prior year mainly due to $930.5 million of debentures issued, offset by $474.7 million in debt repayments, $96.5 million in sinking fund earnings, and $28.7 million in other net financing activities. Debt borrowings were used to finance the activities of Crown corporations, acquire tangible capital assets, and refinance maturing debt.

Pension, Retirement and Other Obligations increased by $102.9 million mainly due to a decrease in the discount rate, a partial settlement loss on the one-time election of service payouts for eligible employees, and other changes from external actuarial valuations as a result of updated member data. Other changes to liabilities included increases of $319.3 million in Accounts Payable and Accrued Liabilities, offset by decreases of $192.9 million in Bank Advances and Short-Term Borrowings, $50.0 million in Deferred Revenue, and $14.2 million in Other Liabilities.

Liabilities
($ thousands)

	Actual 2018	% of Total	Actual 2017	% of Total	Variance Increase (Decrease)
Bank Advances and Short-Term Borrowings	978,159	4.9%	1,171,011	6.0%	(192,852)
Accounts Payable and Accrued Liabilities	2,383,429	11.8%	2,064,145	10.5%	319,284
Deferred Revenue	208,912	1.0%	258,881	1.3%	(49,969)
Unmatured Debt	13,420,391	66.6%	13,089,820	66.6%	330,571
Pension, Retirement and Other Obligations	2,894,324	14.4%	2,791,435	14.2%	102,889
Other Liabilities	270,515	1.3%	284,677	1.4%	(14,162)
Total Liabilities	20,155,730	100.0%	19,659,969	100.0%	495,761

Liabilities - 5 Year Trend

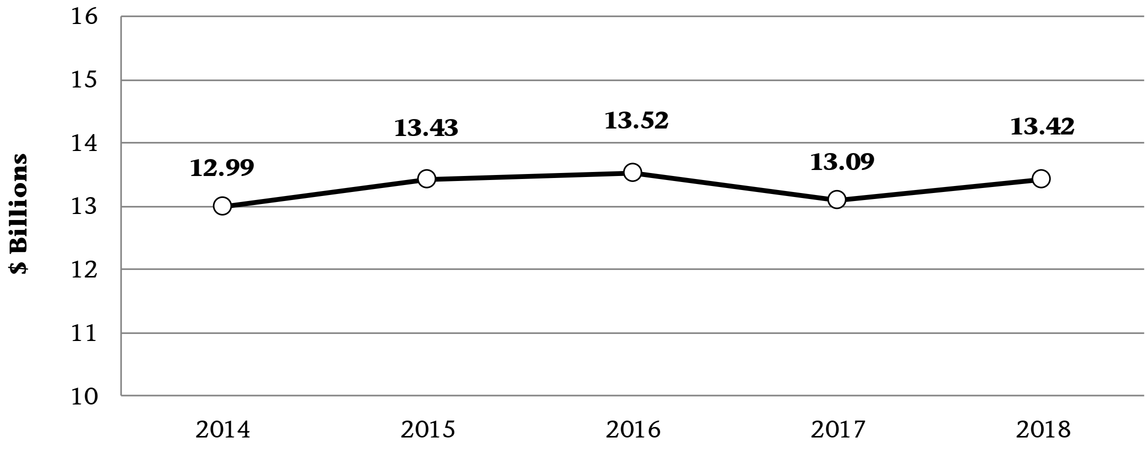


Unmatured Debt

Unmatured debt, net of sinking funds and defeasance assets, increased to $13.42 billion as at March 31, 2018, of which $13.27 billion related to borrowings of the Department of Finance and Treasury Board, $139.6 million of Housing Nova Scotia, $7.3 million of Nova Scotia Municipal Finance Corporation, and $4.5 million of Waterfront Development Corporation Limited.

Over the past five years, unmatured debt has increased $429.0 million from $12.99 billion in 2014 to $13.42 billion in 2018.

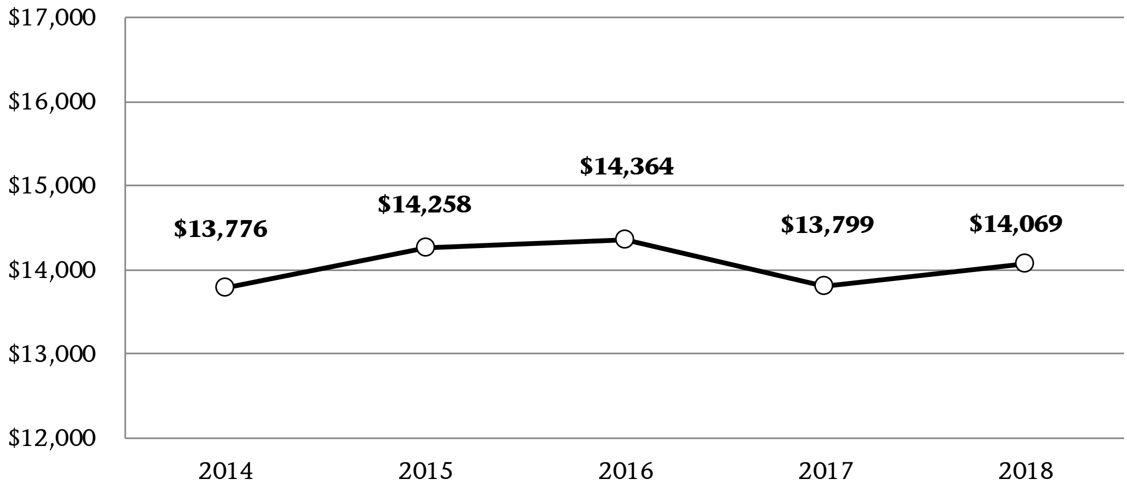
Unmatured Debt - 5 Year Trend



Unmatured Debt per Capita

Unmatured debt increased by $270 per capita from $13,799 in 2017 to $14,069 in 2018. Over the past five years, unmatured debt per capita increased by $293 from $13,776 in 2014 to $14,069 in 2018, with a high of $14,364 in 2016.

Unmatured Debt per Capita - 5 Year Trend



Credit Ratings

The Province's credit ratings were confirmed by all three major credit rating agencies during 2018. The Province's credit ratings are "A (high)" with a stable outlook from Dominion Bond Rating Service (DBRS), "A+" with a positive outlook from Standard and Poor's (S&P), and "Aa2" with a stable outlook from Moody's Investor Services Inc. (Moody's). S&P raised the outlook to positive in September 2017, citing progress on improved liquidity and fiscal performance. The following table summarizes the Province's credit ratings relative to its provincial peers. Note that (neg) refers to a negative outlook and (pos) refers to a positive outlook, indicating the rating agency may change the respective province's credit rating over the next year.

Canadian Provincial Credit Ratings (as at July 23, 2018)

Province	Moody's Investor Services Inc.	Standard and Poor's	Dominion Bond Rating Service
Nova Scotia	Aa2	A+ (pos)	A (high)
New Brunswick	Aa2	A+	A (high) (neg)
Newfoundland and Labrador	Aa3 (neg)	A	A (low)
Prince Edward Island	Aa2	A	A (low) (pos)
Quebec	Aa2	AA-	A (high)
Ontario	Aa2 (neg)	A+	AA (low)
Manitoba	Aa2	A+	A (high)
Saskatchewan	Aaa	AA	AA
Alberta	Aa1 (neg)	A+	AA (neg)
British Columbia	Aaa	AAA	AA (high)
Canada	Aaa	AAA	AAA

Capital Markets Issuance Initiatives

The Province borrows funds in capital markets on an ongoing basis to refinance maturing debt, fund the budgetary surplus/deficit, lend monies to Crown corporations, and acquire tangible capital assets. In broad terms, budgetary deficits act to increase the annual borrowing requirements, while surpluses serve to reduce the Province's borrowing needs. The relationship is not exact as there may be a number of cash flow timing differences.

The Province maintains the ability to borrow funds for future requirements should financial market conditions be favourable to do so, or may postpone borrowing in term debt markets if financial market conditions are unfavourable. The Province maintains discretionary sinking funds in the form of a pool of liquid assets to assist in the refinancing of maturing debt. Pre-borrowing for future years may add to the level of these funds, which can only be used to repay debt.

In 2018, the Province borrowed $812.5 million in long-term debt through the General Revenue Fund as market conditions and opportunities continued to be favourable. These borrowings were completed by way of 5-year and 7-year Canadian Dollar Offered Rate (CDOR) floating interest rate notes. The Department of Finance and Treasury Board made lower net capital advances to Crown corporations than anticipated, and Crown corporations, on a net basis, made loan repayments to the General Revenue Fund. The Province maintains access to a diversity of borrowing sources, both domestic and international. This access is a key factor in maintaining a broad demand for Nova Scotia debt issues and achieving lower borrowing costs.

Financial Risk Management

In order to fully access global capital markets, the Province maintains the ability to borrow in currencies other than the Canadian dollar, including the US dollar global market by filing the necessary documentation with the Securities and Exchange Commission in the United States.

Foreign Currency Risk

There were no foreign currency borrowings during the 2018 fiscal year (2017 – $nil). The Province has mitigated its exposure to foreign currency debt through the use of derivatives and by the accumulation of US dollar-denominated assets held in sinking funds to offset outstanding US dollar issues. As at March 31, 2018, the Province's debt continued to have no net exposure to foreign currency fluctuations. This position did not change in comparison to March 31, 2017.

The Province's sinking funds held no assets in US dollars as at March 31, 2018 (2017 – $nil), other than the Province's own US dollar-denominated bonds. These funds were therefore not subject to net foreign exchange fluctuations.

Canadian public sector accounting standards require that all financial amounts be presented in Canadian dollars in the financial statements. Conversion of unhedged foreign currency amounts outstanding is calculated annually at March 31. This conversion results in a foreign currency gain or loss from year-to-year as the currency exchange rates fluctuate. As described in Note 1(d) on page 78, the foreign exchange gains and losses on long-term financial items are amortized over the remaining life of the related monetary items. At year-end, total unamortized foreign exchange gains and losses were in a net gain position of $32.2 million, which is included in Unamortized Foreign Exchange Translation Gains and Losses, Premiums and Discounts on the Province's Consolidated Statement of Financial Position on page 71 of this publication.

Interest Rate Risk

As a net debtor in financial markets, the Province is exposed to the risks posed by movements in interest rates. The Province is exposed to interest rate risk as maturing debenture issues are refinanced at current market rates. Some exposure to fluctuating short-term rates is maintained in the debt portfolio to lower expected debt servicing costs. The Province has policies in place that set exposure limits on interest rate risk. Control is maintained over this exposure through the active management by the Province of its gross debt and sinking fund asset portfolios.

The debt portfolio's exposure to floating interest rates increased to 10.7 per cent for the fiscal year ended March 31, 2018, up from 8.5 per cent a year earlier. The Province is able to exercise control of this variable in the portfolio by maintaining access to both floating and fixed interest rate instruments in capital markets and through the use of derivatives. With 89.3 per cent of the total principal in fixed interest rate form (2017 – 91.5 per cent), there is expected to be a significant degree of stability in debt servicing costs in coming years. At March 31, 2018, the average term to maturity of the gross debt portfolio stood at 12.8 years (2017 – 13.8 years) due to the shorter-dated issuances during the fiscal year relative to the existing average term to maturity of the gross debt portfolio.

NOVA SCOTIA

Non-Financial Assets

Non-financial assets are a component of the Province's financial position and are assets to be used for the provision of services in the future. Non-financial assets consist primarily of tangible capital assets but also include inventories of supplies and prepaid expenses.

Total non-financial assets increased by $240.0 million to $6.09 billion at year-end. Over the past five years, total non-financial assets increased from $5.63 billion at the end of 2014 to $6.09 billion at the end of 2018, largely in the form of net investments in tangible capital assets.

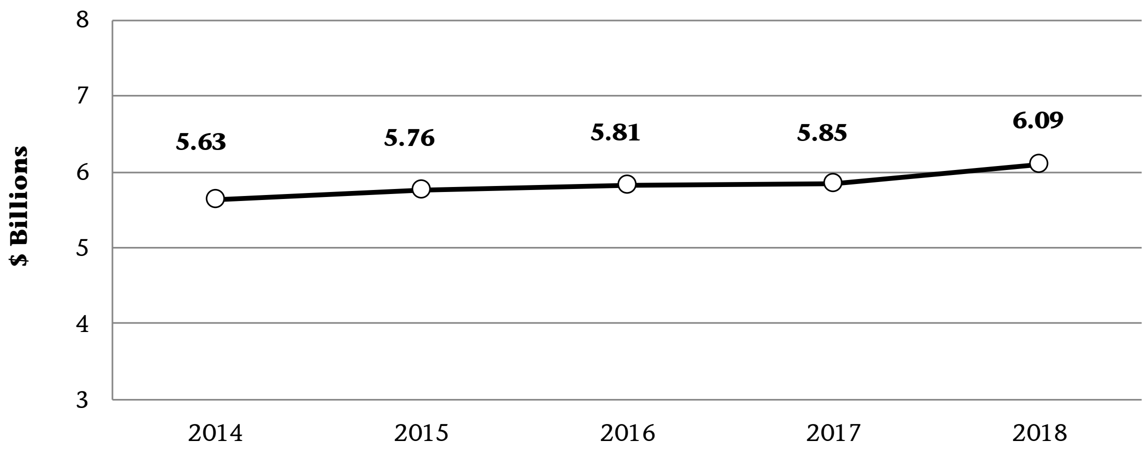
Further details on consolidated tangible capital assets can be found on the next two pages as well as in Schedule 7 of the Public Accounts on pages 111 and 112 of this publication. Additional details on tangible capital assets of the General Revenue Fund are provided on pages 50 and 51 of this publication.

Non-Financial Assets

($ thousands)

	Actual 2018	% of Total	Actual 2017 *(as restated)*	% of Total	Variance Increase (Decrease)
Tangible Capital Assets	5,998,773	98.5%	5,764,307	98.5%	234,466
Inventories of Supplies	74,971	1.2%	72,634	1.2%	2,337
Prepaid Expenses	17,972	0.3%	14,813	0.3%	3,159
Total Non-Financial Assets	6,091,716	100.0%	5,851,754	100.0%	239,962

Non-Financial Assets - 5 Year Trend



Tangible Capital Assets

The net book value (acquisition cost less accumulated amortization) of tangible capital assets (TCA) is a significant asset to the Province, totaling $6.00 billion at the end of 2018, an increase of $234.5 million from the end of the previous fiscal year. The Buildings and Land Improvements asset class includes all of the provincially owned buildings, schools, hospitals, including leased schools, correctional forensic facility, and the Halifax Convention Center.

Effective April 1, 2017, the Province revised its policy relating to contributed tangible capital assets, whereby such assets are now recorded at fair market value at the date of contribution instead of at a nominal value of $1. As described in Note 2 on page 81, this change in policy was applied retroactively to April 1, 2002.

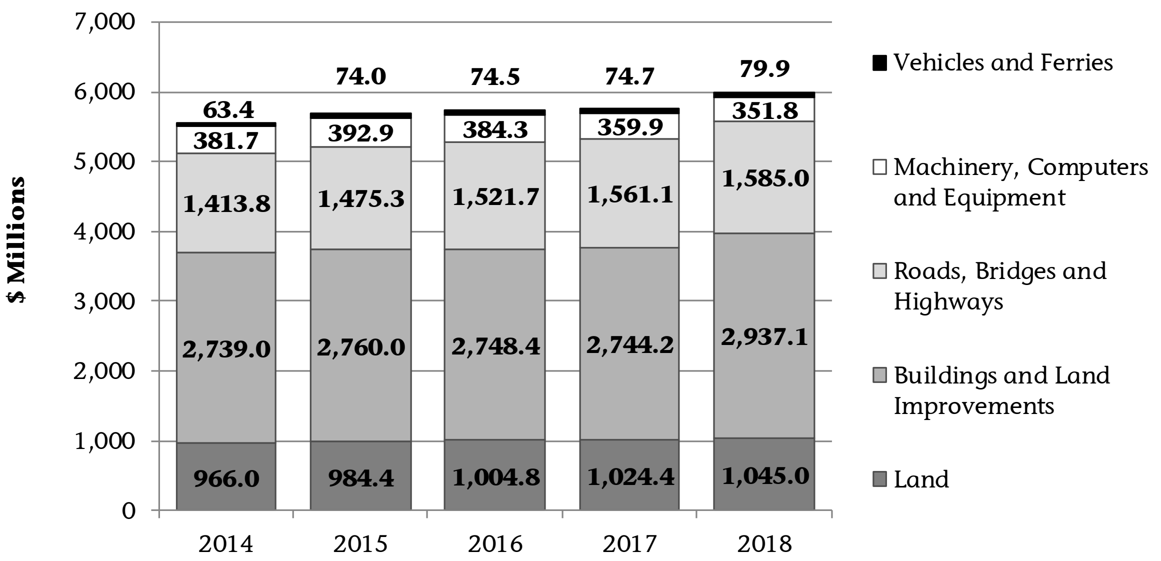
The table and chart below summarize the Province's TCA portfolio by major asset class and show the differences in each class compared to the prior year.

Tangible Capital Assets (Net Book Value)

($ thousands)

	Actual 2018	% of Total	Actual 2017 *(as restated)*	% of Total	Variance Increase (Decrease)
Land	1,045,046	17.4%	1,024,431	17.8%	20,615
Buildings and Land Improvements	2,937,096	49.0%	2,744,248	47.6%	192,848
Roads, Bridges and Highways	1,585,009	26.4%	1,561,092	27.1%	23,917
Machinery, Computers and Equipment	351,749	5.9%	359,873	6.2%	(8,124)
Vehicles and Ferries	79,873	1.3%	74,663	1.3%	5,210
Total Tangible Capital Assets	5,998,773	100.0%	5,764,307	100.0%	234,466

Tangible Capital Assets - 5 Year Trend

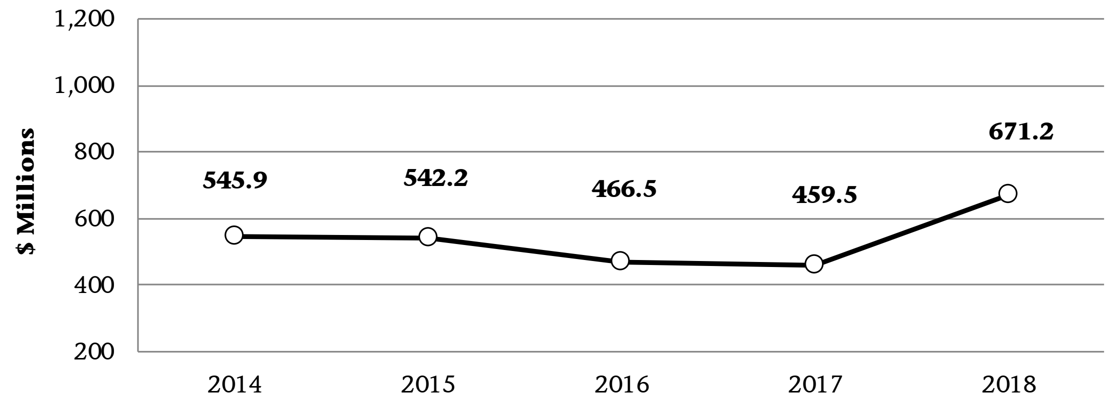


Acquisition of Tangible Capital Assets

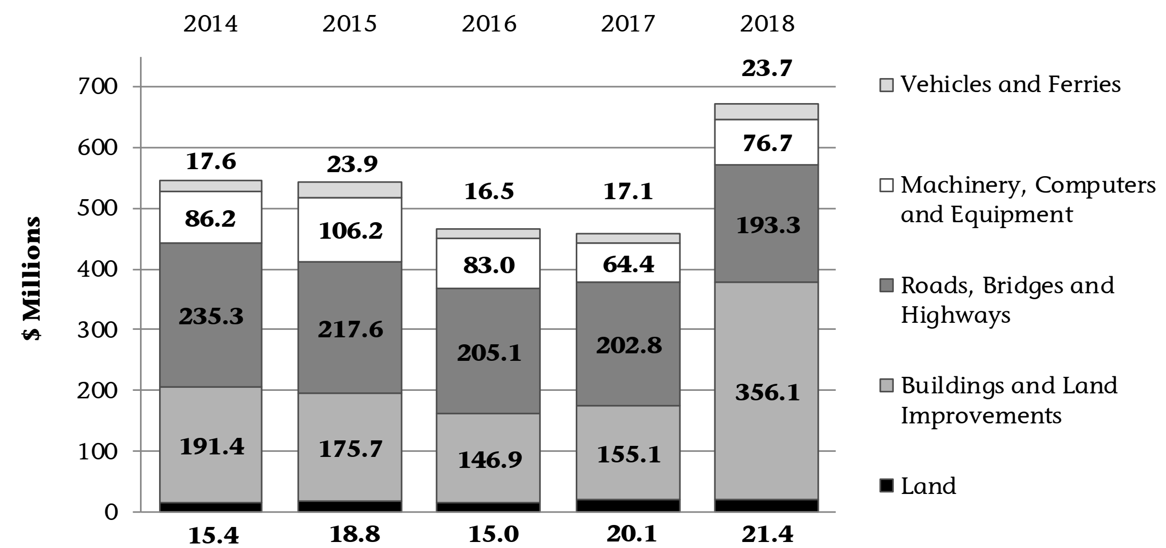
Acquisitions and transfers of tangible capital assets (TCA) totaled $671.2 million in 2018, which was $8.3 million less than estimate and $211.7 million higher than the prior year mainly due to the completion of the Halifax Convention Centre in the current year, with an acquisition cost of $169.2 million. Additions to buildings and land improvements totaled $356.1 million (2017 – $155.1 million), of which $275.5 million related to the construction and improvement of buildings in the General Revenue Fund, $62.9 million related to the Health Authorities, $14.1 million related to Waterfront Development Corporation Limited, and $3.6 million related to other governmental units.

New land totaling $21.4 million (2017 – $20.1 million) was acquired during the year, and additions to roads, bridges and highways totaled $193.3 million (2017 – $202.8 million). Additions to machinery, computers and equipment were $76.7 million (2017 – $64.4 million), of which $40.1 million was attributable to the General Revenue Fund, $31.2 million to the Health Authorities, and $5.4 million to other governmental units. Over the past five years, TCA acquisitions increased by $125.3 million from $545.9 million in 2014.

TCA Acquisitions at Gross Cost - 5 Year Trend



TCA Acquisitions by Asset Class - 5 Year Trend

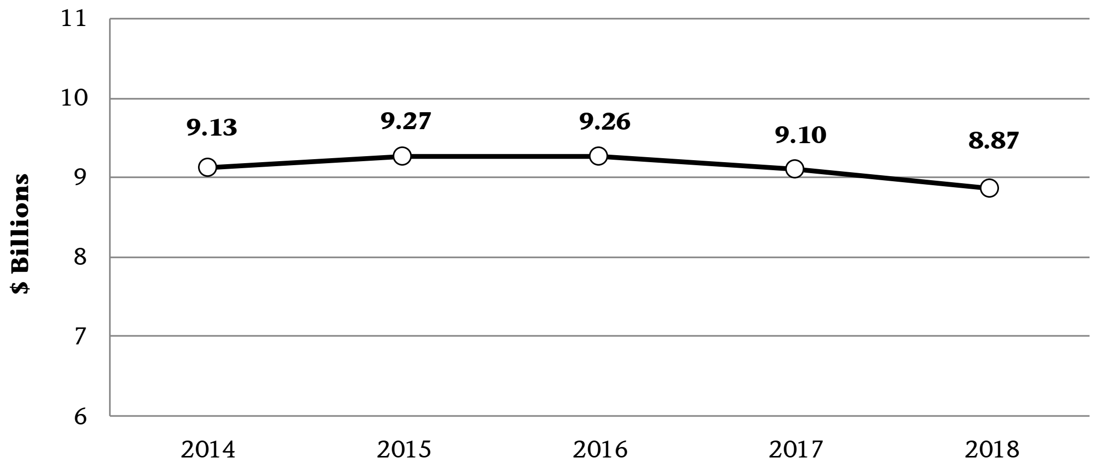


Accumulated Deficits

Accumulated deficits represent the difference between the Province's liabilities and both financial and non-financial assets. Further, they are the sum of all surpluses and deficits incurred to date, calculated according to current accounting policies. Accumulated deficits are a secondary measure of the Province's financial position.

The accumulated deficits were $8.87 billion at March 31, 2018, $230.0 million lower than a year ago as a result of the provincial surplus. The Province has reported accumulated deficits in the past five years as follows:

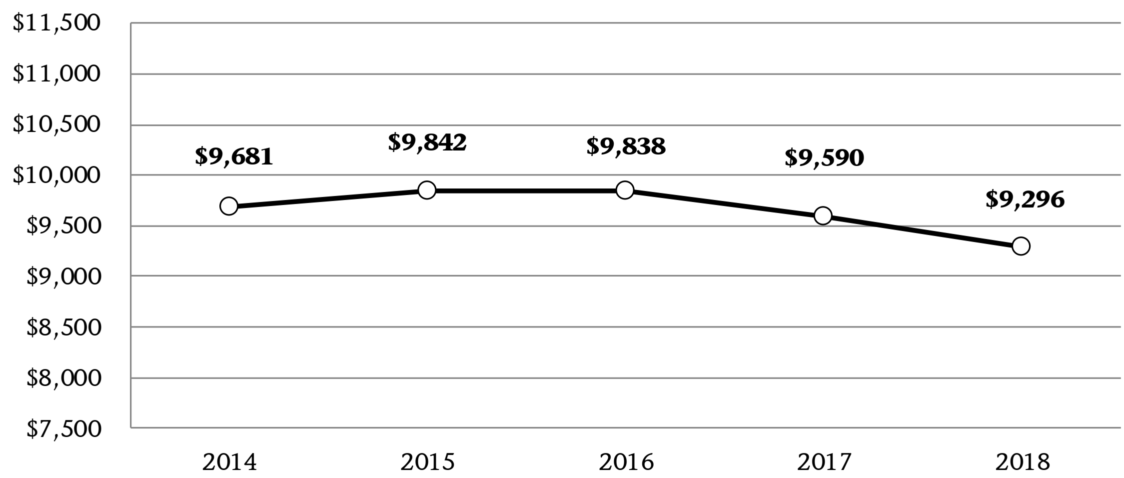
Accumulated Deficits - 5 Year Trend



Accumulated Deficits per Capita

Accumulated deficits decreased by $294 on a per capita basis from $9,590 in 2017 to $9,296 in 2018. Since 2014, accumulated deficits per capita have decreased overall by $385.

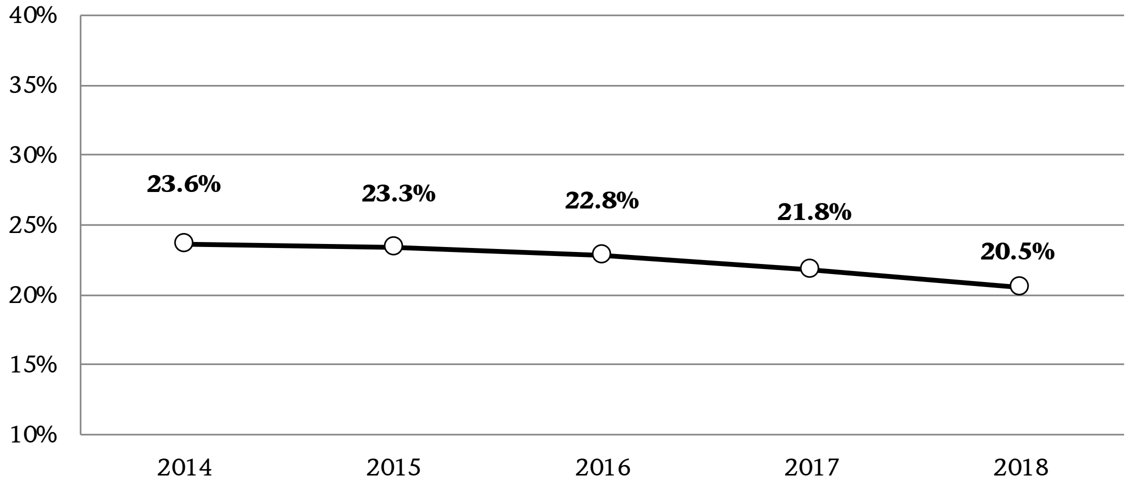
Accumulated Deficits per Capita - 5 Year Trend



Accumulated Deficits to Gross Domestic Product

Accumulated deficits expressed as a percentage of nominal GDP decreased 1.3 percentage points from 21.8 per cent in 2017 to 20.5 per cent in 2018 mainly due to the provincial surplus and the modest growth in GDP from the prior year. Over the past five years, this ratio ranged from a low of 20.5 per cent in 2018 to a high of 23.6 per cent in 2014. The overall decrease in this ratio has been 3.1 percentage points since 2014.

Accumulated Deficits to GDP - 5 Year Trend



Cash Flows

The Province's consolidated financial statements are reported on the accrual basis in accordance with Canadian public sector accounting standards, whereby the timing of transactions may vary from when actual cash is paid or received. The Consolidated Statement of Cash Flow (Statement 4) on page 74 of this publication summarizes the increases and decreases in the Province's cash flows in terms of the sources and uses of cash identified within the following activities: operating, investing, capital, and financing.

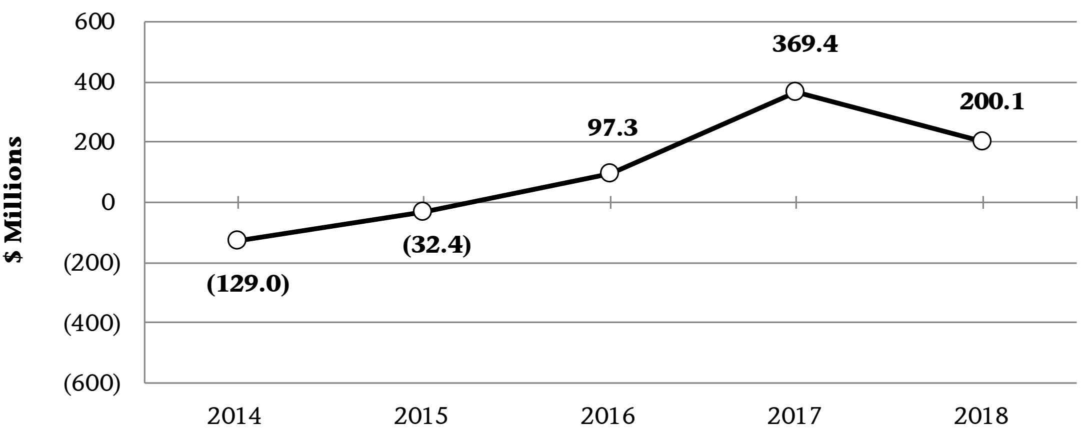
During 2018, the Province's cash position increased by $200.1 million. Net cash inflows of $318.4 million were generated from operating activities, $930.5 million from the issuance of debentures, and $464.1 million from the collection of loans receivable. Cash outflows were used to purchase $671.2 million in TCA, repay debt obligations of $474.7 million, $361.1 million to finance loans and investments, and $5.9 million in other net cash outflows.

Cash Flows by Activity

($ thousands)

	Actual 2018	Actual 2017 *(as restated)*	Variance Increase (Decrease)
Operating	318,369	1,205,617	(887,248)
Investing	135,573	276	135,297
Capital	(665,627)	(454,071)	(211,556)
Financing	411,811	(382,432)	794,243
Net Inflows	200,126	369,390	(169,264)

Net Cash Flows - 5 Year Trend



Risk

The Province is subject to various forms of risk inherent in the nature of certain financial statement elements and financial markets. Exposure to risk from the use of accounting and other estimates in recording certain transactions is discussed in Note 1(e) of the consolidated financial statements on page 79 of this publication. Financial risks, including foreign currency risk and interest rate risk, were discussed on page 27, as well as in Note 12 of the Public Accounts on pages 92 and 93.

Presentation of Estimates

The annual budget, referred to as the Estimates, represents the financial plan of the Province of Nova Scotia in a format that facilitates departmental management of the revenue and expense transactions of the General Revenue Fund, as well as the debate and appropriations process thereon in the House of Assembly.

In order to present comparative Estimates on the Consolidated Statement of Operations and Accumulated Deficits, as well as in the preceding pages of variance analyses, the original Estimates have been adjusted on a line-by-line basis for consolidation purposes. The table on the subsequent page illustrates how the Consolidation and Accounting Adjustments from the original Estimates are reallocated to gross up the related revenue and expense lines for presentation on the Consolidated Statement of Operations and Accumulated Deficits.

When consolidating the government controlled entities into these financial statements, the Province adjusts the entities' accounting policies to conform with its own so the amounts can be added together on a consistent basis. Also, significant inter-entity transactions are eliminated. For example, grant expenses recorded in departmental expenses are eliminated with the corresponding grant revenue in the related entity. This transfer between the two related entities does not increase or decrease the net financial position of the Province on a consolidated basis. After eliminations, the remaining revenues and expenses represent transactions with external parties not controlled by the Province. Only transactions with these outside parties represent the increase and decrease in the Province's financial position.

Reconciliation of Estimates
Adjusted Estimates of the Consolidated Financial Statements
For the year ended March 31, 2018
($ thousands)

	Estimate 2018	Adjustments	Adjusted Estimate 2018
Revenue			
Provincial Sources			
Tax Revenue	5,694,200	—	5,694,200
Other Provincial Revenue	768,346	796,805	1,565,151
Net Income from Government Business Enterprises	378,754	—	378,754
Investment Income	186,170	9,880	196,050
	7,027,470	806,685	7,834,155
Federal Sources	3,546,191	145,286	3,691,477
Total Revenue	10,573,661	951,971	11,525,632
Expenses			
Departmental Expenses			
Agriculture	41,992	4,074	46,066
Business	196,137	(23,440)	172,697
Communities, Culture and Heritage	84,295	2,373	86,668
Community Services	949,621	143,362	1,092,983
Education and Early Childhood Development	1,317,657	334,381	1,652,038
Energy	29,004	1,105	30,109
Environment	37,239	53,356	90,595
Finance and Treasury Board	23,100	—	23,100
Fisheries and Aquaculture	15,062	(585)	14,477
Health and Wellness	4,214,153	279,859	4,494,012
Internal Services	189,091	354	189,445
Justice	340,711	318	341,029
Labour and Advanced Education	376,151	54,101	430,252
Assistance to Universities	433,079	—	433,079
Municipal Affairs	332,423	8,458	340,881
Natural Resources	77,178	5,854	83,032
Public Service	217,153	3,043	220,196
Seniors	2,301	—	2,301
Transportation and Infrastructure Renewal	465,774	2,467	468,241
Restructuring Costs	163,421	—	163,421
	9,505,542	869,080	10,374,622
Refundable Tax Credits	125,472	—	125,472
Pension Valuation Adjustment	31,214	—	31,214
Debt Servicing Costs	850,214	12,500	862,714
Total Expenses	10,512,442	881,580	11,394,022
	61,219	70,391	131,610
Consolidation and Accounting Adjustments			
General Revenue Fund Consolidation Adjustments	64,381	(64,381)	—
Special Purpose Funds	(664)	664	—
Other Organizations	6,674	(6,674)	—
Total Adjustments	70,391	(70,391)	—
Provincial Surplus	131,610	—	131,610

Selected Highlights of the General Revenue Fund

($ thousands)

	Estimate 2018	Actual 2018	Actual 2017
General Revenue Fund *			*(as restated)*
Revenues			
Ordinary Revenue	9,485,518	9,864,284	9,186,096
Ordinary Recoveries	709,389	716,256	627,939
Net Income from Government Business Enterprises	378,754	390,198	394,591
	10,573,661	10,970,738	10,208,626
Expenses			
Departmental Expenses	9,505,542	9,802,308	9,111,785
Refundable Tax Credits	125,472	115,133	133,738
Pension Valuation Adjustment	31,214	58,338	17,191
Debt Servicing Costs	850,214	824,667	823,759
	10,512,442	10,800,446	10,086,473
	61,219	170,292	122,153
Consolidation and Accounting Adjustments			
General Revenue Fund Consolidation Adjustments	64,381	47,283	12,098
Special Purpose Funds	(664)	2,287	2,106
Other Organizations	6,674	10,153	14,829
	70,391	59,723	29,033
Provincial Surplus	131,610	230,015	151,186

* The General Revenue Fund (GRF) is comprised of the Province's departments, public service units, and special operating agencies only. The GRF excludes the governmental units and government business enterprises owned or controlled by the Province, as well as the Province's share of government partnership arrangements.

General Revenue Fund – Revenue

In total, revenue of the General Revenue Fund for the fiscal year ending March 31, 2018 was $397.1 million or 3.8 per cent higher than estimate and $762.1 million or 7.5 per cent higher than the prior year. The table below shows the current year estimate, current and prior year actual revenue, and current year variances compared to estimate and prior year. The analysis that follows this table includes explanations, by source, for the more significant variances.

Revenue

($ thousands)

	Estimate 2018	Actual 2018	Actual 2017	Actual vs Estimate Increase (Decrease)	Actual vs Actual Increase (Decrease)
Provincial Sources			*(as restated)*		
Tax Revenue					
Personal Income Tax	2,710,594	2,768,421	2,636,616	57,827	131,805
Corporate Income Tax	506,627	539,025	513,038	32,398	25,987
Harmonized Sales Tax	1,829,442	1,803,756	1,778,545	(25,686)	25,211
Tobacco Tax	220,119	210,710	222,234	(9,409)	(11,524)
Motive Fuel Tax	266,655	266,444	258,501	(211)	7,943
Other Tax Revenue	160,763	175,045	165,337	14,282	9,708
Other Provincial Revenue					
Registry of Motor Vehicles	131,464	134,568	133,077	3,104	1,491
Petroleum Royalties	11,973	9,118	9,870	(2,855)	(752)
Other Provincial Sources	143,384	143,675	133,835	291	9,840
TCA Cost Shared Revenue	60,316	62,274	3,272	1,958	59,002
Prior Years' Adjustments	—	230,903	(5,803)	230,903	236,706
Other Fees and Charges	61,710	61,950	62,511	240	(561)
Ordinary Recoveries	359,055	371,421	363,797	12,366	7,624
Net Gain on Disposal of Crown Assets	444	1,057	5,804	613	(4,747)
Net Income from Government Business Enterprises	378,754	390,198	394,591	11,444	(4,393)
Investment Income					
Interest Revenue	85,651	121,084	88,621	35,433	32,463
Sinking Fund Earnings	100,519	96,546	90,475	(3,973)	6,071
Total Provincial Sources	7,027,470	7,386,195	6,854,321	358,725	531,874
Federal Sources					
Equalization Payments	1,750,644	1,794,968	1,732,893	44,324	62,075
Canada Health Transfer	967,248	965,873	944,419	(1,375)	21,454
Canada Social Transfer	357,960	357,451	349,511	(509)	7,940
Crown Share	3,046	15,944	2,176	12,898	13,768
Offshore Accord	19,957	19,957	33,255	—	(13,298)
Other Federal Sources	24,014	10,178	2,328	(13,836)	7,850
TCA Cost Shared Revenue	72,988	75,880	24,337	2,892	51,543
Ordinary Recoveries	350,334	344,835	264,142	(5,499)	80,693
Prior Years' Adjustments	—	(543)	1,244	(543)	(1,787)
Total Federal Sources	3,546,191	3,584,543	3,354,305	38,352	230,238
Total Revenue	10,573,661	10,970,738	10,208,626	397,077	762,112

General Revenue Fund – Revenue Variance Analysis

Personal Income Tax

Personal Income Tax (PIT) revenue was $57.8 million or 2.1 per cent higher than estimate due to higher taxable income and projected yield rates. Taxable income was up by 1.4 per cent for 2017 and by 1.7 per cent for 2018, while the yield rate increased by 0.3 percentage points in 2017 and by 0.7 percentage points in 2018.

PIT revenue was $131.8 million or 5.0 per cent higher than the prior year.

Corporate Income Tax

Corporate Income Tax (CIT) revenue was $32.4 million or 6.4 per cent higher than estimate. The Province's share of national taxable income decreased marginally by 0.1 per cent in both 2017 and 2018. Provincial taxable income was higher in 2017 and 2018 by 11.3 per cent and 7.0 per cent, respectively, due to an increase in national corporate taxable income. The small business share of taxable income increased by 8.1 per cent to 40.3 per cent of corporate taxable income.

CIT revenue was $26.0 million or 5.1 per cent higher than the prior year.

Harmonized Sales Tax

Harmonized Sales Tax (HST) revenue was $25.7 million or 1.4 per cent lower than estimate due to a decline in taxable expenditures overall. The tax base decreased $298.0 million in 2017 and $156.0 million in 2018. This was primarily due to lower levels of consumer expenditures, which decreased 1.5 per cent in 2017 and 1.4 per cent in 2018. Tax revenue reductions due to the lower tax base were partially offset by residential housing investment expenditures, which were higher by 2.7 per cent in 2017 and by 7.5 per cent in 2018.

HST revenue was $25.2 million or 1.4 per cent higher than the prior year.

Tobacco Tax

Tobacco Tax revenue was $9.4 million or 4.3 per cent lower than estimate. Consumption of cigarettes and fine cut tobacco was 3.0 per cent and 0.7 per cent lower, respectively. Prices for tobacco products rose by 1.5 per cent compared to estimate.

Tobacco Tax revenue was $11.5 million or 5.2 per cent lower than the prior year.

Motive Fuel Tax

Motive Fuel Tax revenue was $0.2 million or 0.1 per cent lower than estimate. Consumption of gasoline was lower by 2.3 per cent, and diesel oil consumption was lower by 1.8 per cent. For the fiscal year, the average prices for gasoline and diesel oil increased by 7.0 per cent and 9.1 per cent, respectively.

Motive Fuel Tax revenue was $7.9 million or 3.1 per cent higher than the prior year.

Petroleum Royalties

Petroleum royalty revenue was $2.9 million or 23.8 per cent lower than estimate primarily due to lower production volumes and lower natural gas prices.

Petroleum royalty revenue was $0.8 million or 7.6 per cent lower than the prior year.

TCA Cost Shared Revenue — Provincial Sources

TCA Cost Shared Revenue from Provincial Sources was $2.0 million or 3.2 per cent higher than estimate.

TCA Cost Shared Revenue from Provincial Sources was $59.0 million or 1,803.2 per cent higher than the prior year due to the $58.9 million cost share from the Halifax Regional Municipality that was recorded upon substantial completion of the Halifax Convention Centre.

Prior Years' Adjustments — Provincial Sources

Prior Years' Adjustments (PYAs) from Provincial Sources were $230.9 million reflecting updates to the Province's economic forecast and federal government information on forecasted tax yields of PIT and CIT, revisions to HST forecasts for open years, and revenue forecast updates to offshore petroleum royalties and other tax revenue.

Since specific revenues are calculated using model-based estimates, PYAs are not budgeted. As actual or more current information becomes available for prior years, PYAs are recorded in the current year. Provincial Source PYA revenues were attributable to $24.2 million for CIT, $260.0 million for offshore petroleum royalties, and $7.0 million for Preferred Shares Dividends, which were slightly offset by PYAs of -$29.2 million for PIT, -$30.6 million for HST, and -$0.5 million for Large Corporations Capital Tax.

Included in PIT PYA in 2018 is a positive $99.0 million adjustment relating to a change in estimate of the Graduate Retention Rebate tax credit. The Province had originally recorded this amount as repayable to the federal government but received confirmation that the amount was no longer payable. A negative adjustment was also included relating to the 2016 taxation year whereby high income individuals engaged in tax planning in advance of the federal top income tax bracket of 33.0 per cent being introduced. The significant increase in PYA revenue for petroleum royalties was mainly due to $232.0 million relating to the refiling of interest holder royalty returns attributable to an arbitration process concerning how transportation costs are treated in the Sable Offshore Energy Project (SOEP) royalty calculations. Royalty PYAs also increased by $28.0 million due to a revised decommissioning cost estimate from the SOEP interest holders.

The current year revenues and corresponding PYAs are reported on Schedule 1 of the Public Accounts on page 96 as follows:

($ thousands)	2018			2017		
	Current	**PYA**	**Total**	**Current**	**PYA**	**Total**
Personal Income Tax	2,768,421	(29,164)	2,739,257	2,636,616	(19,738)	2,616,878
Corporate Income Tax	539,025	24,170	563,195	513,038	97,269	610,307
Harmonized Sales Tax	1,803,756	(30,628)	1,773,128	1,778,545	(81,644)	1,696,901
Petroleum Royalties	9,118	260,025	269,143	9,870	(8,071)	1,799
Miscellaneous *	—	7,021	7,021	—	5,032	5,032
Large Corporations Tax *	—	(521)	(521)	—	1,349	1,349
		230,903			(5,803)	

** Included in Other Tax Revenue on Schedule 1 of the Consolidated Financial Statements*

Ordinary Recoveries — Provincial Sources

Provincial Source Recoveries were $12.4 million or 3.4 per cent higher than estimate. This increase relates mainly to $4.8 million in unbudgeted prior year recoveries, higher recoveries of $4.8 million in the Department of Internal Services for insurance claims from the Nova Scotia Housing Authorities and increased SAP and information technology recoverable work, and higher recoveries of $2.7 million in the Department of Health and Wellness for increased automobile levies charged to insurance companies. Other Provincial Source Recoveries amounted to a net increase of $0.1 million across remaining departments.

Provincial Source Recoveries were $7.6 million or 2.1 per cent higher than the prior year primarily due to slight increases in various departments, including $4.2 million in the Department of Business and $3.4 million in the Department of Health and Wellness.

Net Income from Government Business Enterprises

Net Income from Government Business Enterprises (GBEs) was $11.4 million or 3.0 per cent higher than estimate primarily due to favourable variances in the net income of all four GBEs. Net income of Nova Scotia Provincial Lotteries and Casino Corporation was $4.8 million or 3.8 per cent higher than estimate primarily as a result of the delay in the expected decline of revenue at the Halifax casino due to the Cogswell Interchange re-construction project as well as operational improvements at the casinos. Net income of Nova Scotia Liquor Corporation was $2.4 million higher than estimate mainly due to higher than planned gross margins of $4.5 million partially offset by increased expenses of $2.1 million. Net income of Halifax-Dartmouth Bridge Commission (HDBC) and Highway 104 Western Alignment Corporation (H104) combined for a total of $4.2 million higher than estimate mainly due to increased traffic volumes.

Net income from GBEs was $4.4 million or 1.1 per cent lower than the prior year. Net income of HDBC decreased by $5.8 million or 39.8 per cent as a result of increased amortization and loan interest expense relating to the Big Lift project. This was partially offset by net income of H104, which increased by $1.4 million or 13.4 per cent mainly due to a 3.3 per cent increase in traffic volume and higher net investment income from favourable market returns.

Interest Revenue

Interest Revenue was $35.4 million or 41.4 per cent higher than estimate mainly due to a $33.5 million accrual for interest earned on the transportation arbitration relating to the SOEP Offshore Royalty calculations. Activities in the other loan portfolios combined for an additional $1.9 million in interest revenue mainly due to favourable interest rates.

Interest Revenue was $32.5 million or 36.6 per cent higher than the prior year due to a $33.5 million accrual for interest earned on the transportation arbitration relating to the SOEP Offshore Royalty calculations. This was offset by a slight decrease of $1.0 million in interest revenue from the other loan portfolios.

Sinking Fund Earnings

Sinking Fund Earnings were $4.0 million or 4.0 per cent lower than estimate due to short-term interest rates on floating interest rate notes not rising as much as originally anticipated.

Sinking Fund Earnings were $6.1 million or 6.7 per cent higher than the prior year mainly due to rising interest rates, as well as the fact that there were no redemptions from the fund during 2018. In addition, the sinking fund assets increased by $26.3 million from installments during the year.

Equalization Payments

Equalization payments were $44.3 million or 2.5 per cent higher than estimate. Equalization is based upon the Province's election to receive payments calculated according to the Expert Panel approach. This is a one-estimate, one-payment approach. The Province receives a cumulative best-of guarantee (CBOG) payment pursuant to the clarification reached with the federal government in October 2007. The CBOG payment, which is accounted for as part of Equalization payments, was $44.3 million or 158.8 per cent higher than estimated due to the federal government's final estimate.

Equalization payments were $62.1 million or 3.6 per cent higher than the prior year.

Canada Health Transfer

Canada Health Transfer (CHT) revenue was $1.4 million or 0.1 per cent lower than estimate. This was based on revised federal estimates of the Province's share of national population released by the federal government in the fall of 2017.

CHT revenue was $21.5 million or 2.3 per cent higher than the prior year.

Canada Social Transfer

Canada Social Transfer (CST) revenue was $0.5 million or 0.1 per cent lower than estimate. This was based on revised federal estimates of the Province's share of national population released by the federal government in the fall of 2017.

CST revenue was $7.9 million or 2.3 per cent higher than the prior year.

Crown Share

Crown Share Adjustment Payments were $12.9 million or 423.4 per cent higher than estimate due to prior year adjustments (PYAs) on gross revenues arising from the transportation arbitration on SOEP royalty calculations.

Crown Share Adjustment Payments were $13.8 million or 632.7 per cent higher than the prior year.

Offshore Accord

Offshore Accord Payments are also based upon a one-estimate, one-payment approach, and as a result, the final payment is equal to estimate.

Offshore Accord Payments were $13.3 million or 40.0 per cent lower than the prior year.

TCA Cost Shared Revenue — Federal Sources

TCA Cost Shared Revenue from Federal Sources was $2.9 million or 4.0 per cent higher than estimate.

TCA Cost Shared Revenue from Federal Sources was $51.5 million or 211.8 per cent higher than the prior year due to the $51.4 million federal cost share that was recorded upon substantial completion of the Halifax Convention Centre.

Ordinary Recoveries — Federal Sources

Federal Source Recoveries were $5.5 million or 1.6 per cent lower than estimate. This decrease relates primarily to lower recoveries in the Department of Municipal Affairs due to project delays in federal infrastructure programs, including $23.1 million for the Clean Water and Wastewater Fund, $6.9 million for the Public Transit Infrastructure Fund, and $2.3 million for the New Building Canada Fund. These were partially offset by increases of $9.9 million in the Department of Municipal Affairs for Disaster Flood Relief, $6.4 million in the Department of Education and Early Childhood Development for the Early Years bilateral agreement, and $6.7 million in the Department of Labour and Advanced Education for Labour Market programs. Other federal source recoveries amounted to a net increase of $3.8 million across various departments.

Federal Source Recoveries were $80.7 million or 30.5 per cent higher than the prior year due primarily to increases in the Department of Municipal Affairs including $50.3 million for investments under the Clean Water and Wastewater Fund and $22.1 million for the Public Transit Infrastructure Fund. Other increases included $6.4 million in the Department of Education and Early Childhood Development for the Early Years bilateral agreement and $5.5 million in Assistance to Universities for capital university projects approved as part of the Post-Secondary Strategic Investment Fund (SIF). The remaining offsetting variance of $3.6 million was attributable to various other departments including a $2.2 million decrease in the Department of Municipal Affairs for Disaster Flood Relief funding.

Prior Years' Adjustments — Federal Sources

Prior Years' Adjustments (PYAs) from Federal Sources were -$0.5 million reflecting revisions to federal population estimates of open years for the Canada Health Transfer (CHT) and Canada Social Transfer (CST) payments.

PYAs are not budgeted. As actual or more current information becomes available for prior years, PYAs are recorded in the current year. The negative federal PYA revenues were attributable to a -$0.4 million adjustment for CHT due to revised estimates for 2016-17 and a -$0.1 million adjustment for CST related to 2016-17. The related current year federal revenues and PYAs are reported on Schedule 1 of the Public Accounts on page 96 as follows:

($ thousands)			**2018**			**2017**
	Current	**PYA**	**Total**	**Current**	**PYA**	**Total**
Canada Health Transfer	965,873	(397)	965,476	944,419	1,120	945,539
Canada Social Transfer	357,451	(146)	357,305	349,511	124	349,635
		(543)			1,244	

General Revenue Fund – Departmental Expenses

Overall, departmental expenses of the General Revenue Fund for the fiscal year ended March 31, 2018 were $296.8 million or 3.1 per cent higher than estimate and $690.5 million or 7.6 percent higher than the prior year. The table below shows the current year estimate, current and prior year actual expenses, and current year variances compared to estimate and prior year. The analysis that follows this table includes explanations, by department, for the more significant variances.

Departmental Expenses

($ thousands)

	Estimate 2018	Actual 2018	Actual 2017	Actual vs Estimate Increase (Decrease)	Actual vs Actual Increase (Decrease)
			(as restated)		
Agriculture	41,992	52,795	45,376	10,803	7,419
Business	196,137	366,774	131,689	170,637	235,085
Communities, Culture and Heritage	84,295	98,401	97,925	14,106	476
Community Services	949,621	957,800	932,731	8,179	25,069
Education and Early Childhood Development	1,317,657	1,327,930	1,274,121	10,273	53,809
Energy	29,004	52,511	36,736	23,507	15,775
Environment	37,239	36,298	36,381	(941)	(83)
Finance and Treasury Board	23,100	21,044	26,911	(2,056)	(5,867)
Fisheries and Aquaculture	15,062	14,736	12,289	(326)	2,447
Health and Wellness	4,214,153	4,278,428	4,104,618	64,275	173,810
Internal Services	189,091	188,588	186,051	(503)	2,537
Justice	340,711	340,596	329,559	(115)	11,037
Labour and Advanced Education	376,151	377,848	381,635	1,697	(3,787)
Assistance to Universities	433,079	475,904	461,381	42,825	14,523
Municipal Affairs	332,423	284,437	198,435	(47,986)	86,002
Natural Resources	77,178	77,670	79,648	492	(1,978)
Public Service	217,153	207,953	198,838	(9,200)	9,115
Seniors	2,301	2,170	1,526	(131)	644
Transportation and Infrastructure Renewal	465,774	558,749	522,295	92,975	36,454
Restructuring Costs	163,421	81,676	53,640	(81,745)	28,036
Total Departmental Expenses	9,505,542	9,802,308	9,111,785	296,766	690,523

Request for final additional appropriations for year-end adjustments must be submitted to the Governor in Council no later than 15 days after the date of the tabling of these Public Accounts. These amounts are summarized by appropriation on pages 52 and 53.

The consolidation of departmental expenses with that of governmental units provides the total expenses for which government is accountable. The table above provides the expenses by department prior to consolidation for comparison to the budget and prior fiscal year, on the same basis as the Estimates, as approved by the Legislature in the annual *Appropriations Act*.

Departmental Expenses Compared To Estimate

Agriculture

Department of Agriculture expenses were $10.8 million or 25.7 per cent higher than estimate mainly due to a $5.5 million increase in Agri-Stability funding for the mink and blueberry industries, $4.7 million increase in the allowance for bad debts on loans issued by the Nova Scotia Farm Loan Board, and $0.6 million for the restructuring of the Nova Scotia Provincial Exhibition Commission.

Business

Department of Business expenses were $170.6 million or 87.0 per cent higher than estimate primarily due to $180.0 million in increased funding to the Nova Scotia Internet Funding Trust to support rural highspeed internet and an increased investment of $11.1 million towards International Air Service.

These increases were partially offset by savings of $3.9 million due to the delay in substantial completion of the Halifax Convention Centre, $3.8 million due to the timing of cash flows for approved projects from the Invest Nova Scotia Fund, $3.3 million relating to Waterfront Development Corporation Limited for a delay in the Centre for Ocean Ventures project, $3.0 million relating to Nova Scotia Business Inc. due to delayed film projects, and $6.5 million in other items.

Communities, Culture and Heritage

Department of Communities, Culture and Heritage expenses were $14.1 million or 16.7 per cent higher than estimate primarily due to investments of $13.8 million in community infrastructure.

Community Services

Department of Community Services expenses were $8.2 million or 0.9 per cent higher than estimate. The Disability Support Program was $4.5 million over estimate primarily due to utilization growth in the Flex Individualized Funding program and an increase in customized placement options. The Child, Youth and Family Support program was $4.3 million over estimate primarily due to an increase in the number of emergency location placements. Service Design and Delivery was $3.8 million over estimate primarily due to delays in achieving departmental transformation savings.

These overages were partially offset by lower than estimated spending of $3.5 million in the Employment Support and Income Assistance Program due to lower caseloads and lower than anticipated expenditures in Employment Support Programs, and net savings of $0.9 million in various other program budgets.

Education and Early Childhood Development

Department of Education and Early Childhood Development expenses were $10.3 million or 0.8 per cent higher than estimate primarily due to increased spending of $6.4 million related to the Early Years federal agreement which is fully recoverable, $2.3 million increased uptake in Early Years subsidies, and $3.0 million in French Program Services related to federal complementary projects which are also fully recoverable. These increases were offset by $1.4 million in other net operational savings.

Energy

Department of Energy expenses were $23.5 million or 81.0 per cent higher than estimate primarily due to an additional $12.2 million for energy efficiency programs for low income households and $11.7 million for Offshore Growth Strategy initiatives.

Finance and Treasury Board

Department of Finance and Treasury Board expenses were $2.1 million or 8.9 per cent lower than estimate primarily due to temporary staff vacancies and operational savings.

Health and Wellness

Department of Health and Wellness expenses were $64.3 million or 1.5 per cent higher than estimate primarily due to $64.1 million in additional funding to the Health Authorities for various health care services and $11.6 million in Physician Services mainly due to patient attachment and enrolment incentives for physicians.

These increases were partially offset by savings of $8.1 million due to lower than expected utilization and initiative delays in Home Care and $3.3 million in other net operational savings.

Labour and Advanced Education

Department of Labour and Advanced Education expenses were $1.7 million or 0.5 per cent higher than estimate mainly due to a $6.7 million increase in federal funding for Labour Market programs. This increase was partially offset by savings of $1.7 million in the Innovate to Opportunity program, $1.6 million in the Graduate to Opportunity program, and $1.7 million in other operational and staff vacancy savings.

Assistance to Universities

Assistance to Universities expenses were $42.8 million or 9.9 per cent higher than estimate mainly due to a $20.0 million investment in the Nova Scotia Research Trust; $11.0 million contribution towards the Saint Mary’s University Entrepreneurship, Discovery and Innovation Hub; $10.0 million in other capital investments; and $1.5 million to support the Innovation Tables.

Municipal Affairs

Department of Municipal Affairs expenses were $48.0 million or 14.4 per cent lower than estimate primarily due to federal program project delays including $34.9 million related to the Clean Water and Wastewater Fund, $7.5 million under the New Building Canada Fund, and $6.9 million for the Public Transit Infrastructure Fund. There were also $1.5 million in net grant, operating, and temporary vacancy savings. These lower than estimated amounts were partially offset by a $2.8 million increase in Disaster Flood Relief funding.

Public Service

In total, Public Service expenses were $9.2 million or 4.2 per cent lower than estimate. The significant variances, which total $7.2 million, were as follows:

Elections Nova Scotia
Elections Nova Scotia expenses were $1.3 million or 9.3 per cent lower than estimate primarily due to less than anticipated reimbursement of candidate’s election expenses.

Executive Council
Executive Council expenses were $0.9 million or 13.2 per cent lower than estimate due to staff vacancy savings and lower than anticipated operating costs.

Government Contributions to Benefit Plans
Government Contributions to Benefit Plans expenses were $1.1 million or 13.1 per cent lower than estimate primarily due to more staff taking their vacations instead of banking them.

Legislative Services
Legislative Services expenses were $1.4 million or 6.0 per cent lower than estimate primarily due to savings in MLA constituency allowances.

Nova Scotia Home for Colored Children Restorative Inquiry
Nova Scotia Home for Colored Children Restorative Inquiry expenses were $1.6 million or 65.7 per cent lower than estimate primarily due to realignment of program spending.

Office of Immigration
Office of Immigration expenses were $0.9 million or 10.0 per cent lower than estimate due to staff vacancy savings and lower than anticipated operating costs resulting from delayed program delivery.

Transportation and Infrastructure Renewal

Department of Transportation and Infrastructure Renewal expenses were $93.0 million or 20.0 per cent higher than estimate primarily due to an $82.0 million increase to the accrual for the Boat Harbour remediation project, $4.8 million for increased snow and ice removal costs and equipment repairs, $4.3 million for the Yarmouth Ferry engine overhaul, and $1.8 million in additional third party recoverable work.

Restructuring Costs

Overall, Restructuring expenses were $81.7 million or 50.0 per cent lower than estimate primarily due to lower than anticipated budget requirements for corporate initiatives.

Departmental Expenses Compared To Prior Year

Business

Department of Business expenses were $235.1 million or 178.5 per cent higher than prior year primarily due to investments of $193.0 million in the Nova Scotia Internet Funding Trust to support rural highspeed internet, $12.7 million in capital projects through Waterfront Development Corporation Limited (including $6.4 million for Centre for Ocean Ventures and $5.0 million for the Queen's Marque project), $11.1 million for International Air Service, $9.4 million in the Nova Scotia Film and Television Production Fund, $6.8 million related to the Halifax Convention Centre, and $2.1 million in other net operating costs.

Community Services

Department of Community Services expenses were $25.1 million or 2.7 per cent higher than the prior year. The Disability Support Program was $14.0 million higher primarily due to utilization growth in the Flex Individualized Funding program, an increase in customized placement options, and program enhancements. Policy and Innovation spending was $4.0 million higher due to the commencement of the four-year Poverty Blueprint initiative and Transformation project costs. The Child, Youth and Family Support Program was $3.6 million higher primarily due to an increase in the number of emergency location placements and funded enhancements to Foster Care programs, and Housing Services was $3.7 million higher primarily due to enhanced spending on public housing repairs and maintenance.

These overages were partially offset by net savings of $0.3 million in various other program areas.

Education and Early Childhood Development

Department of Education and Early Childhood Development expenses were $53.8 million or 4.2 per cent higher than the prior year primarily due to incremental funding of $10.0 million for the Council to Improve Classroom Conditions, $8.1 million for matching contributions to the Teacher's Pension Plan, $6.9 million in spending related to the Federal Early Learning and Childcare bilateral agreement, $4.9 million for Nova Scotia Teachers' Union (NSTU) wage increases, $4.3 million related to enhancing the Early Years grants, $4.5 million for Pre-Primary programming, $2.9 million for Literacy and Reading Recovery initiatives, $2.5 million for expansion of Math Strategy initiatives, $2.3 million in annualization costs of class caps, $2.3 million in utilization of the childcare subsidy, and $5.1 million net increase in other items.

Energy

Department of Energy expenses were $15.8 million or 42.9 per cent higher than the prior year primarily due to an additional $4.7 million for energy efficiency programs for low income households and $11.7 million for Offshore Growth Strategy initiatives.

Health and Wellness

Department of Health and Wellness expenses were $173.8 million or 4.2 per cent higher than the prior year primarily due to $81.3 million in additional funding to the Health Authorities for various health care services, $31.2 million in increased physician services costs, $22.3 million due to the start of various capital projects, $14.2 million in increased Seniors Pharmacare and other drug program costs, $11.9 million in increased costs for ambulance services, $9.5 million in increased funding to long-term care facilities, and $8.1 million for health information technology projects.

These increases were partially offset by $4.7 million in other net operational savings.

Assistance to Universities

Assistance to Universities expenses were $14.5 million or 3.1 per cent higher than the prior year mainly due to an $11.0 million investment in Saint Mary's University to support their Entrepreneurship, Discovery and Innovation Hub, $5.4 million in payments to Dalhousie, Acadia, and Mount Saint Vincent Universities under the federal government's Post-Secondary Strategic Investment Fund (SIF), and $3.1 million increase in operational and other investments to support universities.

These increases were partially offset by a decrease of $5.0 million to the Nova Scotia Research Trust.

Municipal Affairs

Department of Municipal Affairs expenses were $86.0 million or 43.3 per cent higher than the prior year primarily due to additional spending for projects under federal programs including $75.3 million for the Clean Water and Wastewater Fund, $22.1 million for the Public Transit Infrastructure Fund, and $3.1 million for the New Building Canada Fund.

These increases were partially offset by reduced spending of $14.5 million due to the wind-down of the October 2016 Disaster Flood Relief funding.

Transportation and Infrastructure Renewal

Department of Transportation and Infrastructure Renewal expenses were $36.5 million or 7.0 per cent higher than the prior year primarily due to a $37.5 million increase to the accrual for the Boat Harbour remediation project and an increase of $3.7 million in grant contributions for the Yarmouth ferry.

These increases were partially offset by a decrease of $4.8 million in snow and ice removal costs and equipment repairs.

General Revenue Fund – Tangible Capital Assets

Gross Capital Purchases

The Province's policy is to capitalize the gross cost of its tangible capital assets (TCA). Capital contributions received from external sources are recognized as revenue in the year the asset is purchased or constructed. Under the Province's TCA policy, a percentage of the original cost of an asset is charged to expenses in each year of the useful life of the asset. This charge, called amortization, does not commence until the asset is available for use.

Departments are required to budget for TCA purchases and the resulting amortization from the acquisition of these assets. The costs of the gross capital purchases are appropriated as the Capital Purchase Requirements in the annual Estimates, and the departmental details are noted below. Gross capital purchases also include tangible capital assets that are received by contribution from external parties. These assets are recorded at their fair market value on the date of contribution. There were no contributed tangible capital assets received in 2018.

Spending on gross capital purchases was $49.2 million or 8.3 per cent lower than estimate primarily due to underspending of $25.7 million on building projects, $9.8 million on highways and structures, $7.6 million on information technology projects, as well as unused contingency of $19.8 million. These were partially offset by increased capital purchases of $10.6 million in vehicles, boats and equipment, and $3.1 million in land.

Gross Capital Purchases
($ thousands)

	Estimate 2018	Actual 2018	Variance Increase (Decrease)
Agriculture	2,000	3,261	1,261
Business	169,200	169,200	—
Communities, Culture and Heritage	—	224	224
Community Services	783	—	(783)
Education and Early Childhood Development	105,400	87,658	(17,742)
Environment	—	246	246
Fisheries and Aquaculture	—	290	290
Health and Wellness	8,637	6,221	(2,416)
Internal Services	9,037	9,159	122
Justice	6,481	4,404	(2,077)
Labour and Advanced Education	14,004	16,492	2,488
Municipal Affairs	1,389	942	(447)
Natural Resources	8,571	13,121	4,550
Public Service	7,940	1,764	(6,176)
Transportation and Infrastructure Renewal			
Highways and Bridges	225,000	213,592	(11,408)
Buildings and Infrastructure	15,305	17,772	2,467
Cash Flow Contingency	19,837	—	(19,837)
Total Gross Capital Purchases	593,584	544,346	(49,238)

Amortization

The schedule below reflects the current year's estimate and actual amortization charged to operations of the General Revenue Fund for tangible capital assets acquired in 2018 and prior years. Annual amortization expense is calculated on a declining balance basis for most assets of the General Revenue Fund. Capital leases are amortized on a straight-line basis over the length of each lease.

Amortization

($ thousands)

	Estimate 2018	Actual 2018	Variance Increase (Decrease)
Agriculture	828	697	(131)
Business	4,512	1,128	(3,384)
Communities, Culture and Heritage	2,517	2,519	2
Community Services	242	242	—
Education and Early Childhood Development	73,439	72,988	(451)
Environment	566	516	(50)
Fisheries and Aquaculture	226	181	(45)
Health and Wellness	11,411	11,132	(279)
Internal Services	19,248	16,750	(2,498)
Justice	2,748	2,710	(38)
Labour and Advanced Education	5,276	5,552	276
Municipal Affairs	356	104	(252)
Natural Resources	4,037	4,335	298
Public Service	3,715	2,540	(1,175)
Transportation and Infrastructure Renewal	201,460	198,707	(2,753)
Total Amortization	330,581	320,101	(10,480)

NOVA SCOTIA

Additional Appropriations by Resolution

Relative to the *Appropriations Act, 2017*

For the fiscal year ended March 31, 2018

($ thousands)

Res #	Appropriation Area	Original Estimate	Additional Approved	Actual	Variance	Final Additional Appropriation Required
	Departmental Expenses					
1	Agriculture	41,992	7,500	52,795	3,303	3,303
2	Business	196,137	108,790	366,774	61,847	61,847
3	Communities, Culture and Heritage	84,295	14,178	98,401	(72)	—
4	Community Services	949,621	8,537	957,800	(358)	—
5	Education and Early Childhood Development	1,317,657	7,147	1,327,930	3,126	3,126
6	Energy	29,004	23,894	52,511	(387)	—
7	Environment	37,239	—	36,298	(941)	—
8	Finance and Treasury Board	23,100	—	21,044	(2,056)	—
10	Fisheries and Aquaculture	15,062	—	14,736	(326)	—
11	Health and Wellness	4,214,153	50,295	4,278,428	13,980	13,981
12	Internal Services	189,091	1,312	188,588	(1,815)	—
13	Justice	340,711	—	340,596	(115)	—
14	Labour and Advanced Education	376,151	3,149	377,848	(1,452)	—
15	Assistance to Universities	433,079	40,264	475,904	2,561	2,562
16	Municipal Affairs	332,423	—	284,437	(47,986)	—
17	Natural Resources	77,178	—	77,670	492	492
	Public Service					
18	Aboriginal Affairs	4,521	—	4,339	(182)	—
19	Communications Nova Scotia	6,461	—	5,868	(593)	—
20	Elections Nova Scotia	14,455	—	13,112	(1,343)	—
21	Executive Council	6,755	—	5,860	(895)	—
22	Government Contributions to Benefit Plans	8,226	—	7,152	(1,074)	—
23	Human Rights Commission	2,664	—	2,620	(44)	—
24	Intergovernmental Affairs	3,885	—	3,816	(69)	—
25	Legislative Services	23,433	—	22,031	(1,402)	—
26	Nova Scotia Home for Colored Children Restorative Inquiry	2,437	—	835	(1,602)	—
27	Nova Scotia Police Complaints Commissioner	350	—	278	(72)	—
28	Nova Scotia Securities Commission	2,608	—	2,361	(247)	—
29	Nova Scotia Utility and Review Board	1,986	—	1,986	—	—
30	Office of Immigration	9,120	—	8,209	(911)	—
31	Office of the Auditor General	3,869	—	3,583	(286)	—
32	Office of the Information and Privacy Commissioner	683	—	669	(14)	—
33	Office of the Ombudsman	1,791	—	1,654	(137)	—
34	Public Prosecution Service	23,780	—	24,401	621	621
35	Public Service Commission	19,151	—	18,836	(315)	—
36	Regulatory Affairs and Service Effectiveness	1,976	—	1,710	(266)	—
37	Service Nova Scotia	79,002	1,186	78,633	(1,555)	—
38	Seniors	2,301	—	2,170	(131)	—
39	Transportation and Infrastructure Renewal	465,774	13,625	558,749	79,350	79,351
40	Restructuring Costs	163,421	—	81,676	(81,745)	—
	Total Departmental Expenses	9,505,542	279,877	9,802,308	16,889	165,283

Additional Appropriations by Resolution *(continued)*

Relative to the *Appropriations Act, 2017*
For the fiscal year ended March 31, 2018

($ thousands)

Res #	Appropriation Area	Original Estimate	Additional Approved	Actual	Variance	Final Additional Appropriation Required
	Other Appropriations					
9	Debt Servicing Costs	850,214	—	824,667	(25,547)	—
41	Refundable Tax Credits	125,472	—	115,133	(10,339)	—
42	Pension Valuation Adjustment	31,214	33,617	58,338	(6,493)	—
	Total Other Appropriations	1,006,900	33,617	998,138	(42,379)	—
	Statutory Capital					
43	Capital Purchase Requirements	593,584	—	544,346	(49,238)	—
44	Sinking Fund Installments and Serial Retirements	62,142	—	61,783	(359)	—
	Total Statutory Capital	655,726	—	606,129	(49,597)	—
	Total Additional Appropriations		313,494			165,283

Note: Section 28(4) of the *Finance Act* requires that any final additional appropriation required for year-end adjustments be made to Governor in Council no later than 15 days after the date of the tabling of the Public Accounts.

Additional Appropriations Approved During 2018

Additional appropriations, as indicated in the table above, were approved during the year. The details of these additional requests were as follows:

($ thousands)

	Order in Council	Amount
Agriculture	2018-3	7,500
Community Services	2018-3	6,000
Education and Early Childhood Development	2018-3	7,147
Health and Wellness	2018-3	29,975
Transportation and Infrastructure Renewal	2018-3	2,124
Pension Valuation Adjustment	2018-3	33,617
Business	2018-69	108,790
Communities, Culture and Heritage	2018-69	14,178
Community Services	2018-69	2,537
Energy	2018-69	23,894
Health and Wellness	2018-69	20,320
Internal Services	2018-69	1,312
Labour and Advanced Education	2018-69	3,149
Assistance to Universities	2018-69	40,264
Service Nova Scotia	2018-69	1,186
Transportation and Infrastructure Renewal	2018-69	11,501
Total Additional Appropriations Approved		313,494

General Revenue Fund – Debt Servicing Costs

Gross debt servicing costs of the General Revenue Fund were $824.7 million in 2018, which was $25.5 million or 3.0 per cent lower than estimate and $0.9 million or 0.1 per cent higher than the prior year. The reduction in debt servicing costs from estimate was primarily due to a decrease of $23.8 million in interest on long-term debt associated with the Department of Finance and Treasury Board borrowing at lower than anticipated interest rates in 2018. General interest was slightly lower than estimate by $1.7 million mainly due to short-term interest rates being lower than expected at the time of the budget.

Debt Servicing Costs

($ thousands)

	Estimate 2018	Actual 2018	Actual 2017	Actual vs Estimate Increase (Decrease)
Interest on Long-Term Debt	714,018	690,191	688,096	(23,827)
General Interest	13,015	11,344	8,864	(1,671)
Interest on Pension, Retirement and Other Obligations	123,181	123,132	126,799	(49)
Debt Servicing Costs – Gross	850,214	824,667	823,759	(25,547)
Less: Sinking Fund Earnings	100,519	96,546	90,475	(3,973)
Debt Servicing Costs – Net	749,695	728,121	733,284	(21,574)

Debenture Debt

The General Revenue Fund's net debenture debt (outstanding debentures less Sinking Fund and Public Debt Management Fund assets) was $13.04 billion in Canadian dollar equivalents at March 31, 2018 (2017 – $12.77 billion).

The Province provides sinking fund installments for certain term debt issues. Annual sinking fund installments generally range from 1.0 to 3.0 per cent of the original issue, but may vary slightly from year to year based on actual and anticipated rates of return on sinking fund assets. Installments are designed to fully fund the debt over the life of the debenture. Sinking Fund and Public Debt Management Fund assets are used solely for debt retirement.

Outstanding Debentures – (CDN$ Equivalents)

($ thousands)

	Actual 2018	Actual 2017
Debentures Payable in Canadian Dollars		
Canada Pension Plan Investment Fund	1,079,352	1,079,352
Other Issues	14,794,933	14,407,433
Less: Sinking Funds and Public Debt Management Funds	(2,835,385)	(2,712,532)
Net Debenture Debt	13,038,900	12,774,253

General Revenue Fund – Annual Borrowing Plan

Section 35 of the *Finance Act* provides for Governor in Council approval of an annual borrowing plan submitted by the Minister of Finance and Treasury Board. In 2018, the Minister was granted approval for a $1.0 billion borrowing plan. The requested authority was larger than the borrowing program stated in the 2018 Estimates in the event that circumstances arose requiring the Province to borrow monies in excess of projected requirements, or financial markets were favourable and the Province deemed it prudent to pre-borrow for future years.

The Province established two new floating interest rate note issues, borrowing a total of $812.5 million in 2018.

Economic Highlights

In advance of receiving results of actual tax revenues collected, the Department of Finance and Treasury Board relies on economic forecasts and their relationships with historical administrative tax data to estimate tax revenues. Nominal Gross Domestic Product (GDP) is the broadest measure of the potential tax base, and subcomponents of nominal GDP provide indications of growth in specific tax bases including household income, consumer expenditures, and residential construction.

The Province's previous economic outlook was prepared as part of the 2018-19 Estimates tabled March 20, 2018 and used data and information up to December 4, 2017. The 2017-18 Public Accounts incorporate a revised economic outlook based on data released through May 16, 2018. Data and events after this date may not be fully reflected in this forecast and will be incorporated in future economic outlooks.

Nova Scotia Economic Outlook: 2017 and 2018

(Per cent change, except where noted)

	2018-19 Estimates		2017-18 Public Accounts	
	2017	**2018**	**2017**	**2018**
Real GDP ($ 2007 chained)	1.4%	1.0%	1.2%	0.8%
Nominal GDP	3.3%	2.9%	3.5%	2.8%
Compensation of Employees	2.4%	2.6%	3.0%	2.7%
Household Income	2.5%	2.7%	2.9%	2.6%
Household Final Consumption	3.4%	3.3%	4.1%	3.1%
Retail Sales	5.3%	2.5%	[A] 7.8%	2.4%
Consumer Price Index	1.1%	1.7%	[A] 1.1%	2.0%
Investment in Residential Structures	4.8%	-2.9%	7.8%	-0.8%
Net Operating Surplus: Corporations	5.1%	3.4%	4.9%	3.3%
Exports of Goods to Other Countries	3.6%	4.9%	2.5%	5.3%
Population at July 1 *(thousands)*	[A] 953.9	957.1	[A] 953.9	957.1
Employment *(thousands)*	[A] 449.0	449.3	[A] 449.0	453.9
Unemployment Rate *(annual average)*	[A] 8.4%	8.5%	[A] 8.4%	7.8%

[A] ~ *Actual*

External Conditions

The global economy strengthened in 2017; investment among advanced economies accelerated and global trade expanded. Growth in emerging markets and developing economies also accelerated with stronger household consumption and export activity. The International Monetary Fund (IMF) World Economic Outlook from April 2018 estimates that global GDP growth was 3.8 per cent in 2017 and growth will continue at a similar 3.9 per cent pace in 2018.

United States (US) real GDP grew by 2.3 per cent in 2017, rebounding from weaker growth in 2016. US household consumption continued to be the driving force behind growth with consumers benefitting from job gains, stronger balance sheets, and rising consumer confidence. US business investment was up in 2017 after a small decline in 2016, but growth in US residential investment slowed. US real export growth accelerated in 2017, but was offset by rising imports.

The US economy is expected to see a further acceleration in GDP in 2018 as increased government spending and personal and corporate income tax cuts take effect. Inflationary pressures will build up in the US with the additional fiscal stimulus as well as new tariffs in an already tightening labour market. The US Federal Reserve is in the process of tightening monetary policy with regular increases in the federal funds rate in 2017 and early 2018.

The Euro Area reported faster economic growth with real GDP growth of 2.4 per cent in 2017, with broad based growth across member countries. Improving labour markets, global demand for exports, and accommodative monetary policy factored into Euro Area growth in 2017. The Euro Area should maintain a similar pace of growth in 2018 with the European Central Bank monetary policy remaining accommodative while underlying inflation pressures are muted.

The United Kingdom (UK) economy continues to adapt to the Brexit decision and negotiations. UK real GDP grew 1.7 per cent in 2017. Household consumption slowed and exports expanded with a lower currency value. Consumer price inflation rose to around 3.0 per cent at the end of 2017, and the Bank of England is expected to tighten monetary policy in 2018.

China's economic growth in 2017 was stronger than anticipated at 6.9 per cent but is still expected to slow in coming years. Rising incomes among the middle class and growth in the service sector are expected to continue. China continues to pursue structural reforms aimed at further economic liberalization and mitigating financial sector risks.

Japan's economy improved in 2017 with a growth rate of 1.7 per cent on rising consumption, business investment, and exports, but growth will slow in 2018. Inflation remains weak in Japan, and the Bank of Japan will continue with policies to return inflation back to 2.0 per cent.

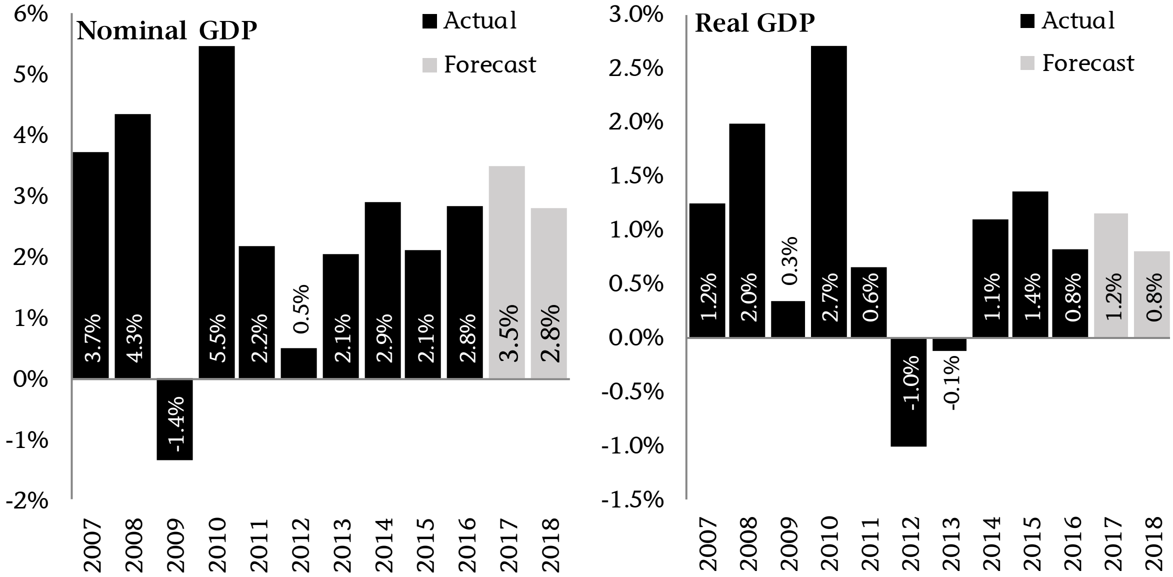
Canada's real GDP grew 3.0 per cent in 2017 with the strongest growth occurring in the first half of the year. Canada's household consumption reported its strongest growth since 2010 as the population grew, labour markets were strong, and borrowing costs remained low. Business fixed capital investment in Canada rose in 2017 after declining the previous two years. Canadian residential investment continued at a similar pace as in previous years. Canadian real export growth was 1.0 per cent for a second consecutive year while imports were up 3.6 per cent in 2017.

For 2018, growth in the Canadian economy is expected to slow to around 2.0 per cent as household spending and housing markets slow. The Canadian economy is operating close to full capacity but is facing continued uncertainty around US trade protectionism. The Bank of Canada increased the policy overnight rate in 2017, and underlying inflation measures are currently around 2.0 per cent while overall inflation has been lifted by rising energy prices.

Nova Scotia Economic Performance and Outlook

Preliminary real GDP growth for Nova Scotia was 1.2 per cent in 2017 (measured by industry at basic prices), similar to the previous three years. Nominal GDP is estimated to have increased 3.5 per cent in 2017. Goods-producing sectors grew 0.3 per cent with lower output in agriculture, forestry, and fishing as well as natural gas extraction. Mining, construction, and manufacturing output were up in 2017 due to large project activities and a rebound in residential investment.

Nova Scotia Economic Outlook
(Gross Domestic Product Growth, at market prices)



Source: Statistics Canada, table 36-10-0222-01; Nova Scotia Department of Finance and Treasury Board projections

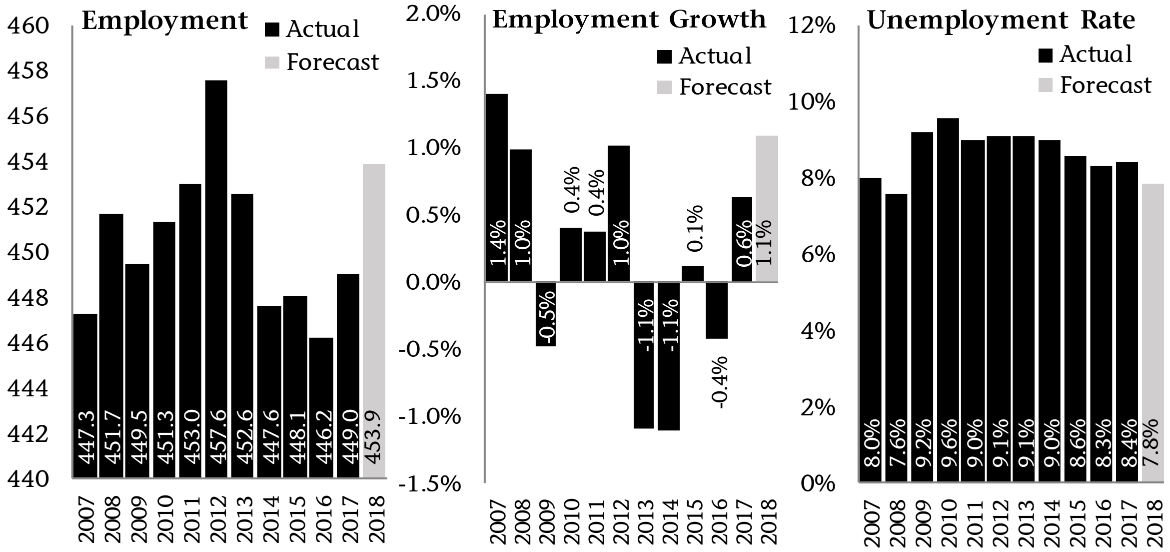
Nova Scotia's service-producing industries grew 1.5 per cent in 2017 with notable increases in wholesale, retail, transportation and warehousing, professional, scientific and technical, real estate, rental and leasing, and arts, entertainment and recreation sectors.

Real GDP growth is expected to be 0.8 per cent in 2018 with nominal GDP growth of 2.8 per cent. The economy will be supported by growing exports, but a slower pace of household consumption growth and weaker activity in fixed capital formation is expected.

Nova Scotia's population growth has picked up in recent years, reaching a record high in 2017 as immigration and an inflow of interprovincial migration have added to the population. The labour force grew in 2017 for the first time in the past five years. Employment growth was slightly slower than labour force growth in 2017 with the unemployment rate rising to 8.4 per cent. The labour force and employment are projected to continue to grow in 2018 amid the downward pressure from rising retirements.

Nova Scotia Labour Markets

(Employment, Employment Growth, Unemployment Rate)

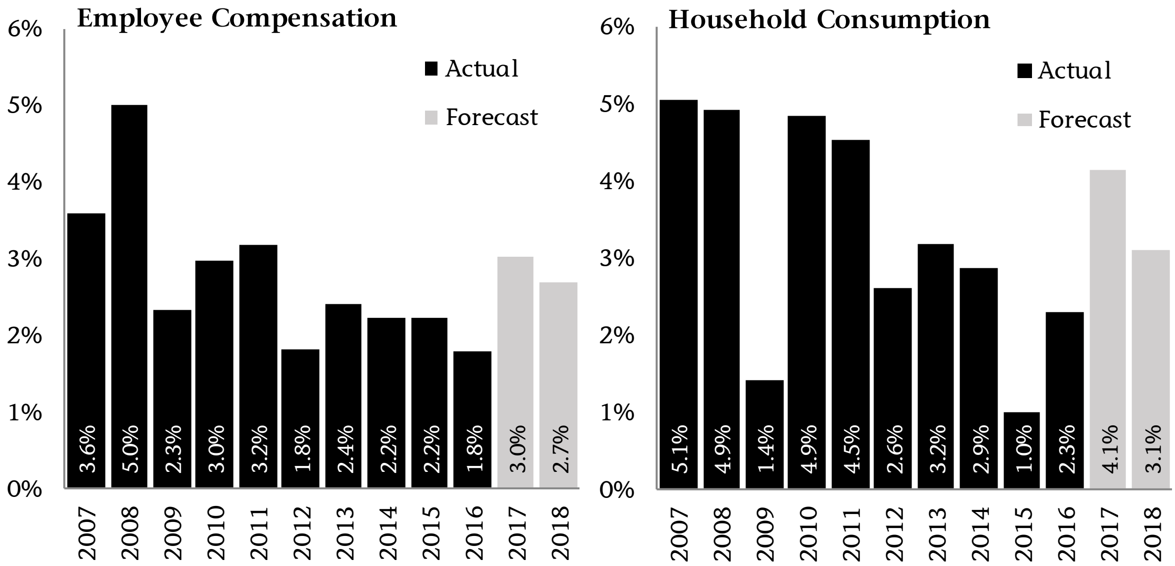


Source: Statistics Canada, table 14-10-0018-01; Nova Scotia Department of Finance and Treasury Board projections

Employee compensation increased 3.0 per cent in 2017, the fastest pace since 2011. Increases in employment, average wages, and one-time federal government employee payments all contributed to growth in wage and salaries. Retail sales experienced strong growth of 7.8 per cent in 2017 with rising sales in most categories, notable increases in motor vehicles and parts, furniture and home furnishings, building materials and garden equipment, supplies dealers, and gas stations. Growth rates for household income and expenditures are expected to moderate in 2018.

Nova Scotia Employee Compensation and Household Consumption

(Growth rate, nominal)



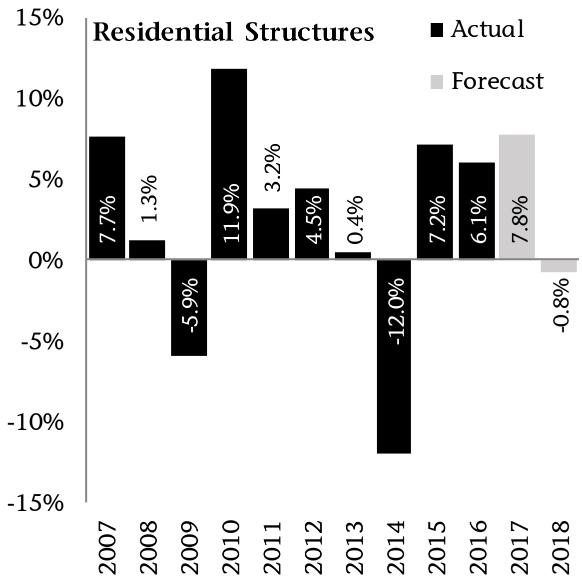
Source: Statistics Canada, tables 36-10--0221-01, 36-10-0222-01; Nova Scotia Department of Finance and Treasury Board projections

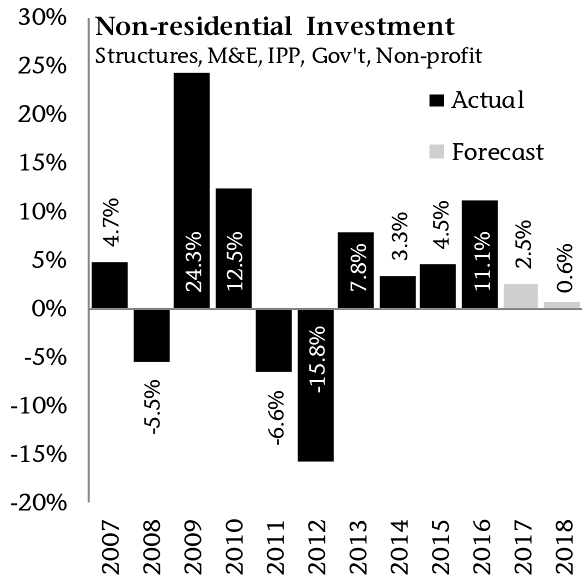
Residential construction increased in 2017 due to rising new construction and renovation activity. There was a significant increase in apartment-type residential construction, and the Halifax region accounted for the increase in residential building permits in 2017.

Non-residential investment including government expenditures are estimated to have slowed in 2017 to 2.5 per cent growth. Multi-year projects, including the Halifax Convention Centre, Maritime Link, and Macdonald Bridge re-decking were substantially complete by the end of 2017 and their absence will slow investment in 2018.

Nova Scotia Construction and Investment

(Growth rate, nominal)



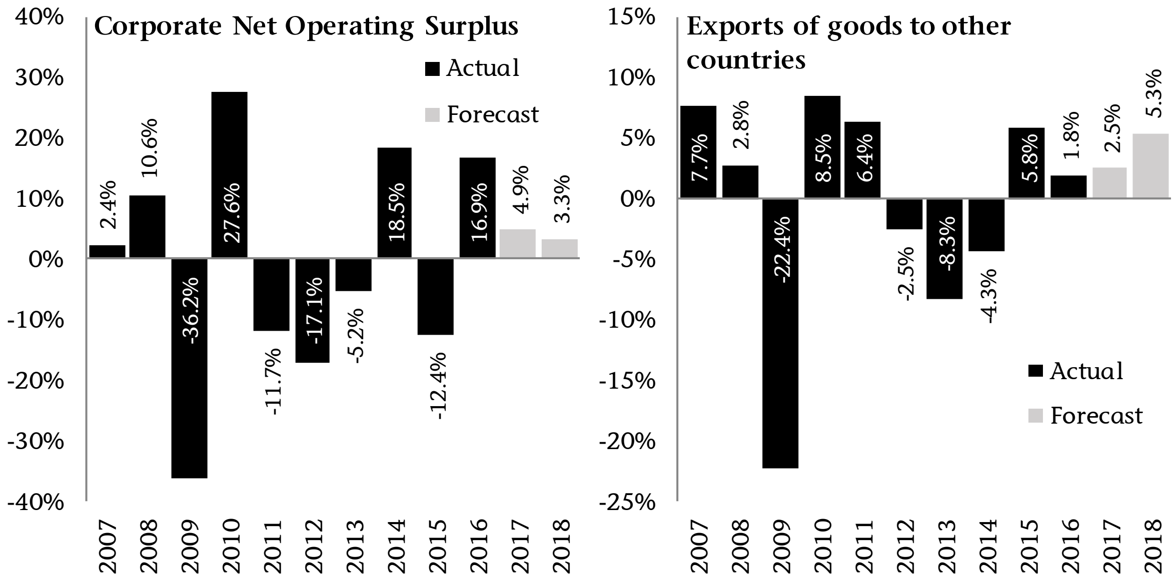


Source: Statistics Canada, table 36-10-0222-01; Nova Scotia Department of Finance and Treasury Board projections

Nova Scotia export growth slowed with declining natural gas output in 2017; however, non-energy merchandise exports were up 4.0 per cent to international markets. Higher exports were seen in fishing and forestry products, and tourism indicators were positive for the year. For 2018, export growth is projected to gain momentum with new mining production and a smaller drag from the energy sector. Although first quarter results showed strong export growth, there are significant risks from trade protectionism over the rest of the 2018 economic outlook.

Growth in net operating surplus of corporations is expected to slow in 2017 and 2018 but grow slightly faster than the overall economy.

Nova Scotia Profits and Exports
(Growth rate, nominal)



Source: Statistics Canada, tables 36-10--0221-01, 36-10-0222-01; Nova Scotia Department of Finance and Treasury Board projections

Risks and Adjustments

Although these economic indicators for 2017 and 2018 form the basis for the final revenues presented in the 2017-18 Public Accounts, they are still projections. Further economic and administrative data will be released relating to 2017 and 2018. New data may result in adjusted revenues in respect to the taxation years reported in this document and will be reflected in subsequent fiscal years as prior years' adjustments. As a result, differences may arise between the estimated and actual tax revenues for PIT, CIT, and HST reported in these Public Accounts.

Nova Scotia Key Economic Indicators

($ millions current, unless otherwise indicated)

		ACTUAL				FORECAST	
		2013	2014	2015	2016	2017	2018
Nominal Gross Domestic Product (GDP) at Market Prices		38,615	39,739	40,580	41,726	43,179	44,394
	% Change	2.1%	2.9%	2.1%	2.8%	3.5%	2.8%
Real GDP at Market Prices *($ millions, chained 2007)*		35,483	35,871	36,356	36,654	37,077	37,373
	% Change	-0.1%	1.1%	1.4%	0.8%	1.2%	0.8%
Compensation of Employees		20,838	21,303	21,775	22,162	22,834	23,446
	% Change	2.4%	2.2%	2.2%	1.8%	3.0%	2.7%
Household Income		37,690	38,603	39,791	40,813	41,994	43,104
	% Change	2.7%	2.4%	3.1%	2.6%	2.9%	2.6%
Household Final Consumption Expenditure		27,762	28,562	28,848	29,512	30,736	31,691
	% Change	3.2%	2.9%	1.0%	2.3%	4.1%	3.1%
Retail Sales		13,639	14,018	14,046	14,710	15,861	16,240
	% Change	3.2%	2.8%	0.2%	4.7%	7.8%	2.4%
Consumer Price Index *(all items, Index 2002 = 100)*		126.6	128.8	129.3	130.9	132.4	135.0
	% Change	1.2%	1.7%	0.4%	1.2%	1.1%	2.0%
Investment in Residential Structures		2,723	2,397	2,569	2,726	2,939	2,915
	% Change	0.4%	-12.0%	7.2%	6.1%	7.8%	-0.8%
Non-Residential Investment *		5,144	5,312	5,549	6,165	6,316	6,353
	% Change	7.8%	3.3%	4.5%	11.1%	2.5%	0.6%
Net Operating Surplus: Corporations		2,165	2,566	2,247	2,627	2,755	2,845
	% Change	-5.2%	18.5%	-12.4%	16.9%	4.9%	3.3%
Exports of Goods and Services		14,931	14,327	14,947	15,410	15,945	16,402
	% Change	-1.1%	-4.0%	4.3%	3.1%	3.5%	2.9%
Exports of Goods to Other Countries		5,251	5,023	5,315	5,413	5,548	5,844
	% Change	-8.3%	-4.3%	5.8%	1.8%	2.5%	5.3%
Imports of Goods and Services		26,148	25,207	26,092	26,960	28,088	28,685
	% Change	2.5%	-3.6%	3.5%	3.3%	4.2%	2.1%
Population *(all ages, thousands at July 1)*		943.0	942.2	941.5	948.6	953.9	957.1
	% Change	-0.2%	-0.1%	-0.1%	0.8%	0.6%	0.3%
Population *(ages 18-64, thousands at July 1)*		609.7	605.5	601.0	602.5	602.9	600.9
	% Change	-0.9%	-0.7%	-0.7%	0.2%	0.1%	-0.3%
Labour Force *(thousands)*		497.7	491.6	490.2	486.6	490.1	492.6
	% Change	-1.2%	-1.2%	-0.3%	-0.7%	0.7%	0.5%
Participation Rate *(per cent)*		63.7%	62.8%	62.4%	61.7%	61.8%	61.9%
	Change	-0.7%	-0.9%	-0.4%	-0.7%	0.1%	0.1%
Employment *(thousands)*		452.6	447.6	448.1	446.2	449.0	453.9
	% Change	-1.1%	-1.1%	0.1%	-0.4%	0.6%	1.1%
Employment Rate *(per cent)*		57.9%	57.2%	57.0%	56.6%	56.7%	57.1%
	Change	-0.6%	-0.7%	-0.2%	-0.4%	0.1%	0.4%
Unemployment Rate *(per cent)*		9.1%	9.0%	8.6%	8.3%	8.4%	7.8%
	Change	—	-0.1%	-0.4%	-0.3%	0.1%	-0.6%

* Non-Residential Investment includes investments in non-residential structures, machinery and equipment, intellectual property products, and government and non-profit sectors

Unless otherwise indicated, the analysis included in the Economic Highlights section is based on the calendar year, not the fiscal year.

NOVA SCOTIA

Consolidated Financial Statements

for the fiscal year ended March 31, 2018

Statement of Responsibility
for the Consolidated Financial Statements of the Province of Nova Scotia

Responsibility for the integrity, objectivity, and fair presentation of the consolidated financial statements of the Province of Nova Scotia rests with the government. These financial statements are prepared on behalf of the Minister and Deputy Minister of Finance and Treasury Board by the Controller in accordance with Canadian public sector accounting standards.

The consolidated financial statements include a Consolidated Statement of Financial Position, Consolidated Statement of Operations and Accumulated Deficits, Consolidated Statement of Changes in Net Debt, and Consolidated Statement of Cash Flow. They present fairly, in all material respects, the financial position and the results of operations for the year ended March 31, 2018. The government is responsible for maintaining a system of internal accounting and administrative controls in order to provide reasonable assurance that transactions are appropriately authorized, assets are safeguarded, and financial records are properly maintained.

Under the mandate in Section 19 of the *Auditor General Act*, the Auditor General of Nova Scotia provides an independent opinion on the consolidated financial statements prepared by the government.

Geoffrey Gatien, CPA, CA
Associate Deputy Minister and Controller

5161 George Street
Royal Centre, Suite 400
Halifax, Nova Scotia
B3J 1M7

Auditor General of Nova Scotia

INDEPENDENT AUDITOR'S REPORT

To the Members of the Legislative Assembly of Nova Scotia:

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the Province of Nova Scotia, which comprise the consolidated statement of financial position as at March 31, 2018, and the consolidated statement of operations and accumulated deficits, consolidated statement of changes in net debt and consolidated statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Government's Responsibility for the Consolidated Financial Statements

The Government of Nova Scotia is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Province of Nova Scotia as at March 31, 2018, and the results of its operations, changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Michael A. Pickup, CPA, CA
Auditor General of Nova Scotia

July 19, 2018
Halifax, Nova Scotia

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902 424 4350 fax
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Michael.Pickup@novascotia.ca

Statement 1

Province of Nova Scotia
Consolidated Statement of Financial Position
As at March 31, 2018
($ thousands)

	2018	2017 *(as restated)*
Financial Assets		
Cash and Short-Term Investments	1,279,557	1,079,431
Accounts Receivable	1,314,778	918,962
Inventories for Resale	2,585	3,469
Loans Receivable (Schedule 3)	2,240,077	2,308,943
Investments (Schedule 3)	116,579	183,286
Investment in Government Business Enterprises (Schedule 6)	241,400	215,071
Assets Held for Sale	1,552	1,552
	5,196,528	4,710,714
Liabilities		
Bank Advances and Short-Term Borrowings	978,159	1,171,011
Accounts Payable and Accrued Liabilities	2,383,429	2,064,145
Deferred Revenue (Note 4)	208,912	258,881
Accrued Interest	214,910	214,953
Unmatured Debt (Schedules 4 and 5)	13,420,391	13,089,820
Unamortized Foreign Exchange Translation Gains and Losses, Premiums and Discounts	55,605	69,724
Pension, Retirement and Other Obligations (Note 5)	2,894,324	2,791,435
	20,155,730	19,659,969
Net Debt	(14,959,202)	(14,949,255)
Non-Financial Assets		
Tangible Capital Assets (Schedule 7)	5,998,773	5,764,307
Inventories of Supplies	74,971	72,634
Prepaid Expenses	17,972	14,813
	6,091,716	5,851,754
Accumulated Deficits	(8,867,486)	(9,097,501)

Accounting Changes (Note 2)
Restricted Assets (Note 3)
Contingencies and Contractual Obligations/Rights (Note 11)
Trust Funds under Administration (Note 13)

The accompanying notes and schedules are an integral part of these Consolidated Financial Statements

Statement 2

Province of Nova Scotia
Consolidated Statement of Operations and Accumulated Deficits
For the fiscal year ended March 31, 2018
($ thousands)

	Adjusted Estimate 2018	Actual 2018	Actual 2017
			(as restated)
Revenue (Schedule 1)			
Provincial Sources			
Tax Revenue	5,694,200	5,734,279	5,576,539
Other Provincial Revenue	1,565,151	1,892,817	1,573,037
Net Income from Government Business Enterprises (Schedule 6)	378,754	390,198	394,591
Investment Income	196,050	229,629	185,547
	7,834,155	8,246,923	7,729,714
Federal Sources	3,691,477	3,733,074	3,500,366
Total Revenue	11,525,632	11,979,997	11,230,080
Expenses (Schedule 2)			
Agriculture	46,066	54,856	49,238
Business	172,697	379,434	152,639
Communities, Culture and Heritage	86,668	98,937	98,342
Community Services	1,092,983	1,098,027	1,078,629
Education and Early Childhood Development	1,652,038	1,670,448	1,619,279
Energy	30,109	52,436	36,821
Environment	90,595	90,989	87,938
Finance and Treasury Board	23,100	22,188	23,431
Fisheries and Aquaculture	14,477	13,561	12,226
Health and Wellness	4,494,012	4,602,421	4,462,233
Internal Services	189,445	185,933	180,180
Justice	341,029	339,279	328,134
Labour and Advanced Education	430,252	434,141	436,490
Assistance to Universities	433,079	475,904	461,344
Municipal Affairs	340,881	286,143	200,148
Natural Resources	83,032	82,040	83,517
Public Service	220,196	213,468	203,345
Seniors	2,301	2,170	1,526
Transportation and Infrastructure Renewal	468,241	558,404	521,872
Restructuring Costs	163,421	79,876	53,619
Pension Valuation Adjustment (Note 5)	31,214	57,818	17,191
Refundable Tax Credits	125,472	115,133	133,738
Debt Servicing Costs (Note 7)	862,714	836,376	837,014
Total Expenses (Note 8)	11,394,022	11,749,982	11,078,894
Provincial Surplus	131,610	230,015	151,186
Accumulated Deficits, Beginning of Year			
As Previously Reported	(9,113,090)	(9,113,090)	(9,262,654)
Accounting Changes (Note 2)	—	15,589	13,967
As Restated	(9,113,090)	(9,097,501)	(9,248,687)
Accumulated Deficits, End of Year	(8,981,480)	(8,867,486)	(9,097,501)

The accompanying notes and schedules are an integral part of these Consolidated Financial Statements

Statement 3

Province of Nova Scotia
Consolidated Statement of Changes in Net Debt
For the fiscal year ended March 31, 2018
($ thousands)

	Adjusted Estimate 2018	Actual 2018	Actual 2017 *(as restated)*
Net Debt, Beginning of Year			
As Previously Reported	(14,954,868)	(14,954,868)	(15,076,002)
Accounting Changes (Note 2)	—	5,613	4,422
As Restated	(14,954,868)	(14,949,255)	(15,071,580)
Changes in the Year			
Provincial Surplus	131,610	230,015	151,186
Acquisitions and Transfers of Tangible Capital Assets	(679,484)	(671,228)	(459,473)
Amortization of Tangible Capital Assets	447,550	434,435	427,604
Disposals of Tangible Capital Assets	—	2,327	1,241
Acquisitions of Inventories of Supplies	—	(2,337)	(2,130)
Use (Acquisitions) of Prepaid Expenses	—	(3,159)	3,897
Total Changes in the Year	(100,324)	(9,947)	122,325
Net Debt, End of Year	(15,055,192)	(14,959,202)	(14,949,255)

The accompanying notes and schedules are an integral part of these Consolidated Financial Statements

Statement 4

Province of Nova Scotia
Consolidated Statement of Cash Flow
For the fiscal year ended March 31, 2018
($ thousands)

	2018	2017 *(as restated)*
Operating Transactions		
Provincial Surplus	230,015	151,186
Sinking Fund and Public Debt Management Fund Earnings	(96,546)	(90,475)
Amortization of Premiums and Discounts on Unmatured Debt	1,185	426
Amortization of Tangible Capital Assets	434,435	427,604
Net Income from Government Business Enterprises	(390,198)	(394,591)
Profit Distributions from Government Business Enterprises	363,871	369,317
Gain on Disposal of Tangible Capital Assets	(3,274)	(4,161)
Net Change in Other Items (Note 9)	(221,119)	746,311
	318,369	1,205,617
Investing Transactions		
Repayment of Loans	464,071	358,222
Advances and Investments	(361,102)	(397,716)
Write-offs	32,604	39,770
	135,573	276
Capital Transactions		
Acquisition of Tangible Capital Assets	(671,228)	(459,473)
Proceeds from Disposal of Tangible Capital Assets	5,601	5,402
	(665,627)	(454,071)
Financing Transactions		
Debentures Issued	930,466	675,049
Amortization of Foreign Exchange Gains and Other Items	(17,599)	(20,866)
Sinking Fund Installments	(26,309)	(26,309)
Repayment of Debentures and Other Long-Term Obligations	(474,747)	(1,010,306)
	411,811	(382,432)
Cash Inflows	200,126	369,390
Cash Position, Beginning of Year	1,079,431	710,041
Cash Position, End of Year	1,279,557	1,079,431
Cash Position Represented by:		
Cash and Short-Term Investments	1,279,557	1,079,431

The accompanying notes and schedules are an integral part of these Consolidated Financial Statements

Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2018

1. Financial Reporting and Accounting Policies

The Province's consolidated financial statements are prepared in accordance with Canadian public sector accounting standards using the following significant accounting policies:

(a) Government Reporting Entity

The government reporting entity (GRE) is comprised of the General Revenue Fund, other governmental units (GUs), government business enterprises (GBEs), and the Province's share of government partnership arrangements (GPAs). GUs and GBEs represent the entities that are controlled by the government. Control is defined as the power to govern the financial and operating policies of another organization with expected benefits or the risk of loss to the government from the other organization's activities. Control exists regardless of whether the government chooses not to exercise its power to govern so long as it has the ability to govern. Control must exist at the financial statement date, without the need to amend legislation or agreements. GPAs represent entities for which decision making and significant risks and benefits are shared with other parties outside of the GRE.

Trust funds that are administered by the Province but not controlled are excluded from the GRE and disclosed in Note 13.

(b) Principles of Consolidation

A GBE is a self-sustaining organization that has the financial and operating authority to sell goods and services to individuals and non-government organizations as its principal activity and source of revenue. GBEs are accounted for on the modified equity basis. Their accounting principles are not adjusted to conform with those of the Province. The total net assets of all GBEs are reported as Investment in Government Business Enterprises on the Consolidated Statement of Financial Position. The total net income from all GBEs is reported as a separate item on the Consolidated Statement of Operations and Accumulated Deficits.

A GPA is a contractual arrangement between the government and a party or parties outside the GRE. The partners have significant clearly defined common goals, make a financial investment in the partnership, share control of decision making, and share, on an equitable basis, the significant risks and benefits associated with the operations of the government partnership. The Province's interest in partnerships is accounted for using the modified equity method as GPAs do not meet the threshold of materiality and cost-benefit to use the proportionate consolidation method.

A GU is a government organization that is not a GBE or GPA. GUs include government departments, public service units, funds, agencies, boards, commissions, and government not-for-profit organizations and service organizations. The accounts of GUs are consolidated on a line-by-line basis after adjusting the accounting policies to be consistent with those described in Note 1(d). Significant inter-organization balances and transactions are eliminated.

A complete listing of the organizations within the Province's GRE is provided in Schedule 10.

Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2018

1. Financial Reporting and Accounting Policies *(continued)*

(c) Presentation of Estimates

Each year, the Province prepares an annual budget, referred to as the Estimates, which represents the financial plan of the Province presented by the government to the House of Assembly for the fiscal year commencing April 1. The Estimates, forming the basis of the *Appropriations Act*, are prepared primarily for the management and oversight of the General Revenue Fund based upon the government's policies, programs, and priorities. Impacts of consolidation are summarized in the Estimates and included on a net basis as Consolidation and Accounting Adjustments.

For consolidation purposes, the Estimates were adjusted on a line-by-line basis to gross up the associated revenues and expenses of the consolidated entities in order to be comparative with these consolidated financial statements.

(d) Significant Accounting Policies

Revenues
Revenues are recorded on the accrual basis. The main components of revenue are various taxes, legislated levies, program recoveries, user fees, and investment income. Revenues from personal and corporate income taxes, as well as harmonized sales taxes and petroleum royalties, are accrued in the year earned based upon estimates using statistical models. Tax revenues are recorded at the amount estimated, after considering certain adjustments for non-refundable tax credits and other adjustments from the federal government. As actual or more current economic data and information from the federal government becomes available for prior years, adjustments to tax revenues are recorded in the current year. Refundable tax credits are not recognized as a reduction of tax revenues. Petroleum royalties are recorded at the amount estimated and may be adjusted in the current year based on updated forecasts, as well as estimated abandonment costs for the future decommissioning or restoration of offshore field assets.

Government transfers received for operating purposes are recognized as revenue in the period during which the transfer is authorized and all eligibility criteria (if any) are met, except when and to the extent that the transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers meeting the definition of a liability are recorded as deferred revenue and are recognized as revenue as the stipulations are satisfied.

Government transfers received for capital purposes and contributed assets are recognized as revenue in the period that the tangible capital asset is acquired. Capital transfers that have been received in advance of project completion are recorded as deferred revenue and are recognized as revenue as the related eligible expenditures are incurred.

Expenses
Expenses are recorded on the accrual basis and are reported in more detail in Note 8, Expenses by Object. Grants and other government transfers are recognized as expenses in the period at the earlier of: 1) the transfer being authorized and all eligibility criteria are met by the recipients, and 2) time of the payment.

Provisions are made for probable losses on certain loans, investments, loan guarantees, accounts receivable, advances, forgivable loans, and for contingent liabilities when it is likely that a liability exists and the amount can be reasonably determined. These provisions are updated as estimates are revised, at least annually.

Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2018

1. Financial Reporting and Accounting Policies *(continued)*

Financial Assets
Cash and Short-Term Investments are recorded at cost, which approximate market value, and include R-1 (low, middle, high) rated federal and provincial government bills or promissory notes, bankers' acceptances, term deposits, and commercial paper. Terms of investments are generally 1 to 90 days. The weighted average interest rate of short-term investments was 1.38 per cent at year-end.

Accounts Receivable are recorded at the principal amount less valuation allowances.

Inventories for Resale are held for sale in the ordinary course of operations and are recorded at the lower of cost and net realizable value.

Loans Receivable are recorded at cost less adjustments for concessionary assistance and any prolonged impairment in value. Concessionary assistance consists of subsidies provided by the Province and is recognized as an expense at the date of issuance of the loan. Any loan write-offs must be approved by the Governor in Council. Loans usually bear interest at approximate market rates and normally have fixed repayment schedules.

Investments are recorded at cost less adjustments for concessionary assistance and any prolonged impairment in value. Concessionary assistance consists of subsidies provided by the Province and is recognized as an expense at the date of the investment. Any write-down of an investment to reflect a loss in value is not reversed if there is a subsequent increase in value.

Liabilities
Bank Advances and Short-Term Borrowings have initial maturities of one year or less and are recorded at cost, which approximates market value. At year-end, short-term Canadian dollar borrowings had a weighted average interest rate of 1.27 per cent.

Liabilities for Contaminated Sites are recognized when an existing environmental standard is exceeded, the Province is directly responsible or accepts responsibility, the Province expects to remediate and give up future economic benefits, and a reasonable estimate of the amounts can be made. The liability is measured based on the best estimate of the expenditures required to complete the remediation, net of any expected recoveries. Contaminated sites are a result of any chemical, organic, radioactive material, or live organism being introduced directly or via the air into soil, water, or sediment that exceeds an environmental standard.

Deferred Revenue is recorded when funds received are restricted by external parties for a stated purpose, such as a specific program or the purchase of tangible capital assets. Deferred revenue is recognized as revenue as the stipulations are met, funds are used for their intended purpose, or related eligible capital expenditures are incurred.

Unmatured Debt is comprised of debentures and various loans in Canadian and foreign currencies, as well as capital leases. Debt is recorded at par, net of sinking funds, which include the Public Debt Management Funds.

Hedge accounting is used when financial instruments form a hedging relationship, which is highly effective, and is considered to be consistent with the Province's financial risk management goals. To have reasonable assurance of the effectiveness of a hedging relationship, the Province must expect the relationship to be effective in achieving offsetting changes in the fair value or cash flows of the hedged item and the hedging item.

Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2018

1. Financial Reporting and Accounting Policies *(continued)*

Hedge effectiveness requires a high correlation of changes in fair values or cash flows. To ensure effectiveness, the Province employs non-speculative derivatives that match the critical terms of the underlying hedged item. Hedging relationships include synthetic instruments, which involve relationships between two or more assets or liabilities with matching terms for the purpose of emulating the net cash flows or other characteristics of a single asset or liability. Synthetic instrument accounting is used to account for the assets and liabilities in a synthetic instrument relationship as though they were the item being emulated.

Sinking Fund and Public Debt Management Fund investments are recorded at cost and consist primarily of debentures of the Province of Nova Scotia, other provincial governments, and the Government of Canada. Premiums and discounts on sinking funds are deferred and amortized over the life of the investment. Amortization and realized gains and losses for premiums and discounts relating to sinking fund balances and installments are netted against sinking fund earnings.

Unamortized Foreign Exchange Translation Gains and Losses result when debentures payable in foreign currencies and sinking funds invested in foreign currencies are translated into Canadian dollars at the rate of exchange in effect at March 31 and upon entering into derivative contracts. Foreign exchange gains and losses on the translation of foreign currency are amortized on a straight-line basis over the remaining term of the related monetary item.

Premiums and Discounts, as well as underwriting commissions relating to the issuance of debentures, are deferred and amortized over the term of the related debt. Amortization and realized foreign exchange gains and losses, premiums and discounts relating to debt balances, serial retirements, sinking fund balances, and installments are charged to debt servicing costs except as noted above.

Pension, Retirement and Other Obligations include various employee future benefit plans, including accumulated sick leave benefits, where responsibility for the provision of benefits rests with the Province. Liabilities for these plans are calculated using the projected benefit actuarial method using accounting assumptions that reflect the Province's best estimates of performance over the long term. The projected benefit actuarial method attributes the estimated cost of benefits to the periods of employee service. The net liability represents accrued employee benefits less the market related value of plan assets (if applicable) and the balance of unamortized experience gains and losses. The market related values are determined in a rational and systematic manner so as to recognize asset market value gains and losses over a five-year period.

Contingent Liabilities, including provisions for losses on loan guarantees, are potential obligations that may become actual liabilities when one or more future events occur or fail to occur. If the future event is likely, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements. In cases where an accrual is made, but exposure exists beyond the amount accrued, this excess exposure would also be disclosed, unless the impact is immaterial or the disclosure would have an adverse effect on the outcome of the contingency.

Net Debt
Net Debt consists of the Province's total liabilities less financial assets, which represents the accumulation of all past annual surpluses/deficits and net investments in non-financial assets.

Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2018

1. Financial Reporting and Accounting Policies *(continued)*

Non-Financial Assets
Tangible Capital Assets have useful lives extending beyond the accounting period, are held for use in the production and supply of goods and services, and are not intended for sale in the ordinary course of operations. They are recorded at gross historical cost (or estimated cost when the actual cost is unknown) and include all costs directly attributable to the acquisition, construction, development, and installation of the tangible capital asset, except interest. Tangible capital assets include land, buildings, major equipment and software, vehicles, ferries, roads, highways, and bridges.

Contributed tangible capital assets received are recorded at their fair market value on the date of contribution, except in circumstances where the value cannot be reasonably determined, in which case they are recognized at nominal value. Tangible capital assets do not include intangibles or assets acquired by right, such as forests, water, and mineral resources, or works of art and historical treasures. Tangible capital assets are amortized to expense over the useful lives of the assets. The amortization methods and rates applied by the other governmental units are not adjusted to the methods and rates used by the General Revenue Fund.

Inventories of Supplies are held for consumption or use by the Province in the course of its operations and are recorded at the lower of cost and current replacement cost.

Prepaid Expenses are cash disbursements for goods or services, other than tangible capital assets and inventories of supplies, that will provide economic benefits in one or more future periods. The prepaid amount is recognized as an expense in the year the good or service is used or consumed.

Accumulated Deficits
Accumulated Deficits represent the total liabilities of the Province less financial assets and non-financial assets. This represents the cumulative balance of net surpluses and deficits arising from the operations of the Province.

(e) Measurement Uncertainty

Measurement uncertainty exists in determining certain amounts at which items are recorded in these consolidated financial statements. Many items are measured using management's best estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. Uncertainty exists whenever estimates are used because it is reasonably possible that there could be a material difference between the recognized amount and another reasonably possible amount.

Measurement uncertainty exists in the accruals for such items as pension, retirement and other obligations, liabilities for contaminated sites, and federal and provincial source revenues. The nature of the uncertainty in the accruals for pension, retirement and other obligations arises because actual results may differ significantly from the Province's various assumptions about plan members and economic conditions in the marketplace. Uncertainty exists in the liabilities for contaminated sites because the actual extent of the remediation activities, methods, and site contamination may differ significantly from the Province's original remediation plans. Uncertainty related to income and sales taxes, petroleum royalties, Canada Health Transfer, and Canada Social Transfer arises because of the possible differences between the estimated and actual economic growth and other assumptions used in statistical models to accrue these revenues. Other areas requiring the use of management estimates include allowances for doubtful accounts and amortization rates.

Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2018

1. Financial Reporting and Accounting Policies *(continued)*

(f) Adoption of New Accounting Standards

The Public Sector Accounting Board (PSAB) issued new accounting standards effective for fiscal years beginning on or after April 1, 2017. As a result, the Province adopted the new standard on contingent assets (PS 3320), which defines and establishes disclosure standards for contingent assets. The Province discloses in its notes to the financial statements the existence of a contingent asset at the reporting date when the occurrence of a confirming future event is likely. The adoption of this new standard was not applied retroactively and does not have an impact on these consolidated financial statements.

The Province also adopted the following new accounting standards: PS 2200 on related party disclosures, PS 3210 on assets, PS 3380 on contractual rights, and PS 3420 on inter-entity transactions. These new standards only impact note disclosures. The adoption of PS 2200, PS 3210, and PS 3420 did not result in a significant impact in the disclosures included in these financial statements. See Note 11(d) for the Province's disclosure of contractual rights and Note 14 for related party transactions.

(g) Future Changes in Accounting Standards

PSAB has also issued new accounting standards with the following effective dates:

<u>Effective April 1, 2018</u>

– *PS 3430 Restructuring Transactions* - defines restructuring transactions and provides guidance on recognition and measurement of assets and liabilities transferred in a restructuring transaction

<u>Effective April 1, 2021</u>

– *PS 1201 Financial Statement Presentation* - replaces PS 1200 with general reporting principles for disclosure of information and is effective in the period PS 2601 and PS 3450 are adopted

– *PS 2601 Foreign Currency Translation* - replaces PS 2600 with revised accounting and reporting principles for transactions that are denominated in a foreign currency

– *PS 3041 Portfolio Investments* - replaces PS 3040 with revised accounting and reporting principles for portfolio investments and is effective in the period PS 2601 and PS 3450 are adopted

– *PS 3450 Financial Instruments* - defines and provides guidance for accounting and reporting all types of financial instruments including derivatives

– *PS 3280 Asset Retirement Obligations* - defines and provides guidance for accounting and reporting retirement obligations associated with tangible capital assets and includes the withdrawal of *PS 3270 Solid Waste Landfill Closure and Post-Closure Liability*

These new accounting standards have not been applied in preparing these consolidated financial statements. The Province is currently assessing the impact of these new standards, and the extent of the impact of their adoption on the consolidated financial statements has not yet been determined.

Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2018

2. Accounting Changes

Accounting changes were made during the year that have the following impacts:

($ thousands)	2018		2017		
	Net Debt April 1, 2017	Accumulated Deficits April 1, 2017	Provincial Surplus	Net Debt April 1, 2016	Accumulated Deficits April 1, 2016
a) Revision to Contributed Tangible Capital Assets Policy	—	9,976	431	—	9,545
b) Revision to Government Transfers Policy – APSEA	5,613	5,613	1,191	4,422	4,422
	5,613	15,589	1,622	4,422	13,967

a) Revision to Contributed Tangible Capital Assets Policy
Effective April 1, 2017, the Province revised its policy relating to contributed tangible capital assets, whereby such assets are now recorded at fair market value at the date of contribution instead of at a nominal value of one dollar ($1). This change in policy was applied retroactively to April 1, 2002. As a result, the opening accumulated deficits in 2017 decreased by $9.5 million and the provincial surplus increased by $0.4 million.

b) Revision to Government Transfers Policy – APSEA
During the year, the Atlantic Provinces Special Education Authority (APSEA) made a change to its accounting policy on government transfers to be compliant with PSAS. The prior year financial statements have been restated to properly reflect the recognition of government transfers, which were received in excess of operating expenditures, met the eligibility criteria, and did not include stipulations, as revenue in the year they were received. As a result, the opening accumulated deficits in 2017 decreased by $4.4 million and the provincial surplus increased by $1.2 million.

3. Restricted Assets

As at March 31, 2018, assets of $81.2 million (2017 – $70.7 million) were designated for restricted purposes by parties external to the Province. Restricted cash and short-term investments totaled $15.3 million (2017 – $9.9 million) and was comprised of: $5.2 million (2017 – $2.6 million) for Nova Scotia Health Authority (NSHA) Centre for Clinical Research, $4.3 million (2017 – $4.3 million) for gas market development as part of the Nova Scotia Market Development Initiative Fund, $2.0 million (2017 – $1.5 million) for endowment and scholarship funds, and $3.8 million (2017 – $1.5 million) for various other purposes.

Restricted investments totaled $65.9 million (2017 – $60.8 million) and was comprised of: $47.6 million (2017 – $44.9 million) for NSHA Centre for Clinical Research and other NSHA purposes, $15.4 million (2017 – $13.1 million) for endowment funds, and $2.9 million (2017 – $2.8 million) for various other purposes.

Externally restricted inflows not spent by year-end create a liability that will be settled by using the restricted assets for their intended purposes. The restricted assets described in this note are segregated from other assets and will be used as prescribed in a future period.

Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2018

4. Deferred Revenue

($ thousands)	2018	2017
Housing Nova Scotia – Social Housing Agreement and Other Federal Funding	51,445	57,506
Nova Scotia Health Authority – Capital and Research Funds	50,382	48,513
Izaak Walton Killam Health Centre – Capital and Research Funds	27,790	35,673
Resource Recovery Fund Board Inc. – Unearned Revenue from Container Deposits, Paint Levies, and Tire Deposits	20,636	19,592
Nova Scotia Community College	18,325	17,069
Seniors Pharmacare	9,058	6,965
Halifax Regional School Board	6,305	7,274
Canada - Nova Scotia Early Learning and Child Care Agreement	4,827	—
Conseil scolaire acadien provincial	2,763	816
Waterfront Development Corporation Limited	2,655	3,097
Public Archives of Nova Scotia	2,328	2,314
Other Externally Restricted Funds	12,398	60,062
Total Deferred Revenue	208,912	258,881

5. Pension, Retirement and Other Obligations

The Province offers its employees a variety of pension and other retirement, post-employment, compensated absences (accumulated sick leave), and special termination benefits. Most plans are unfunded and are economically dependent on the Province. Except as otherwise noted, the cost of benefits are recognized in the periods the employee provides service. For benefits that do not vest or accumulate, a liability is recognized when an event that obligates the Province to pay benefits occurs.

(a) Description of Obligations

Pension Benefit Plans
The Province participates in multiple funded pension plans. The Nova Scotia Public Service Superannuation Plan (PSSP) and the Nova Scotia Teachers' Pension Plan (TPP) are defined benefit plans with plan assets primarily composed of Canadian and foreign equities, government and corporate bonds, debentures, secured mortgages, and real estate. The plans are jointly funded with contributions from employees being matched by the Province. Benefits paid upon retirement are based on an employee's length of service, rate of pay, and inflation adjustments.

Since April 1, 2013, the PSSP operates under a joint governance structure whereby the Minister of Finance and Treasury Board transferred responsibility of the PSSP to the Public Service Superannuation Plan Trustee Inc. (PSSPTI), the new trustee of the PSSP. PSSPTI is a body corporate comprised of 13 board members – six represent the Province as the employer, six represent the employees, and an independent chairperson. Due to this change, the Province no longer has any residual liability for the PSSP and therefore does not record PSSP assets or liabilities in these consolidated financial statements. The Province's pension expense for the PSSP is limited to the employer contributions paid to the PSSP, which are equal to the employee contributions. The contribution rate is set by PSSPTI pursuant to the legislated funding policy and is set for a five-year cycle.

As at December 31, 2017, the PSSP was 103.4 per cent funded. Based on the PSSP's funded health, indexing of 0.85 per cent per year was previously approved for January 1, 2016 to December 31, 2020 and no changes to member and employer plan contributions were made. The Province's contributions to the PSSP in 2018 were $82.5 million (2017 – $81.8 million).

Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2018

5. Pension, Retirement and Other Obligations *(continued)*

On April 1, 2006, the Minister of Finance and Treasury Board transferred responsibility for the governance of the TPP to the Teachers' Pension Plan Trustee Inc. (TPPTI). TPPTI is a body corporate comprised of nine board members – four nominated by the Nova Scotia Teachers' Union (NSTU), four nominated by the Province, and one Chair agreed to by both parties. As a result, the Province and NSTU agreed to share all surpluses and deficits of the plan equally. The Province accounts for one-half of all components of the accrued benefit liability associated with this plan in these consolidated financial statements. In addition, the Province recognizes one-half of the components associated with the net benefit plan expense associated with this plan. As at March 31, 2018, the total accrued benefit liability associated with this plan was $684.5 million (2017 – $638.5 million).

As at December 31, 2017, the TPP was 78.4 per cent funded. The *TPP Regulations* stipulate that when the most recent actuarial valuation shows an actuarial deficit of more than 10.0 per cent, no indexing shall be provided to those pensioners under the variable indexing provision (those who retired on or after August 1, 2006, and those who retired prior to August 1, 2006 but elected to participate in the variable indexing provision). In accordance with Regulation 27C(1), the Province contributed an additional $14.8 million to the TPP in 2018 (2017 – $10.1 million) based on the present value of the forgone indexing as determined by the TPP's actuary. The Province's total contributions to the TPP in 2018 were $114.0 million (2017 – $103.5 million).

During the year, the weighted average actual rate of return on plan assets of the TPP was 5.3 per cent (2017 – 11.2 per cent). The total market value of plan assets at March 31, 2018 was $5.1 billion (2017 – $4.9 billion). The liability recorded in 2018 for TPP was based on the most recent actuarial valuation performed at December 31, 2016, extrapolated to March 31, 2018.

Another one of the Province's significant funded pension plans is the Nova Scotia Health Employees' Pension Plan (NSHEPP), a multiemployer defined benefit pension plan, funded by employer and employee contributions. As at December 31, 2017, the NSHEPP was 139.5 per cent funded. As the Province does not sponsor this plan, the annual net benefit plan expense is the amount of required contributions provided for employees' services rendered during the year. The accrued benefit asset (liability) of this plan is not recognized in these consolidated financial statements. The most recent actuarial valuation was performed on July 1, 2017 and extrapolated to December 31, 2017, which indicated a funding surplus of $2.1 billion (2017 - $1.7 billion). The Province's contributions to this plan for 2018 were $98.1 million (2017 - $96.8 million).

The Province has several other unfunded defined benefit pension plans. Benefits paid upon retirement are based on an employee's length of service, rate of pay, and inflation adjustments. The liabilities for these other pension benefit plans recorded in 2018 were based on the most recent actuarial valuations performed between December 31, 2016 and September 30, 2017, extrapolated to March 31, 2018.

Other Retirement Benefits
The Province sponsors two other unfunded retirement benefits: retirement allowances and retirement health plan benefits. Benefits paid upon retirement for retirement allowances are based on an employee's length of service and rate of pay. Retirement health plan benefits vary depending on the collective agreements negotiated with each group. The Province pays 65.0 per cent and 100.0 per cent of the cost of retirement health plan benefits for the PSSP and TPP retirees, respectively.

Effective April 1, 2015, the Province discontinued its retirement allowance plans for non-bargaining unit staff. As part of contract negotiations, the Province proposed the withdrawal of its retirement allowance plans for unionized staff effective April 1, 2015, and no new members

5. Pension, Retirement and Other Obligations *(continued)*

will be admitted into the plans. The retirement allowance plans for management and non-union civil servants was discontinued effective August 11, 2015. The payment of retirement allowances will be deferred until retirement and will be calculated based on accumulated service as of April 1, 2015, or as of the first day of a new collective agreement for those contracts expiring after that date, and salary upon retirement. The Province reflected the discontinuation of these retirement allowances for both unionized and non-bargaining unit staff in 2015. The Province expects these benefit changes for unionized staff to be ratified in the near future during contract negotiations in line with Bill 148, the *Public Services Sustainability (2015) Act*. The discontinuation does not apply to a person who is entitled to receive a service award under the *Public Service Award Regulations* made under the *Provincial Court Act*.

During 2018, eligible employees of the Nova Scotia Government and General Employees Union (NSGEU) bargaining unit and NSTU at the Regional School Boards, Crown attorneys, and non-bargaining unit civil servants were provided with a one-time option to elect an immediate payment of their retirement allowance entitlement. A total of 19,327 employees were eligible for the early service payout, of which 16,528 employees (85.5 per cent) elected to receive an immediate payment in lieu of their retirement allowance. A total of $216.5 million in payments will be made subsequent to March 31, 2018. This immediate payout triggered a partial plan settlement under PS 3250, and as such a net cost of $31.1 million has been reflected in expenses.

The liabilities for these other retirement benefit plans recorded in 2018 were based on the most recent actuarial valuations performed between March 31, 2015 and March 31, 2018, and extrapolated to March 31, 2018.

Post-Employment Benefits
The Province offers a Self-Insured Workers' Compensation Plan. For this plan, the amount recorded in these consolidated financial statements represents the actual amount of benefits paid during the year plus the actuarial estimate of future payments based on claims ongoing at year-end. The liability for this post-employment benefit plan recorded in 2018 was based on an actuarial valuation performed at March 31, 2018.

The Province also participates in the Nova Scotia Public Service Long Term Disability Plan (LTD Plan). The Province has no residual responsibility to the LTD Plan for any shortfalls in funding. As a result, the Province does not account for any net position of the LTD Plan in these consolidated financial statements. The LTD Plan is managed and administered, under joint trusteeship, by a Board of Trustees appointed by the two plan Sponsors: the Province and the NSGEU. The LTD Plan is funded equally by employer and employee contributions and all liability for benefits resides exclusively with the LTD Plan's trust fund. The most recent actuarial valuation, performed at December 31, 2016 and extrapolated to December 31, 2017, indicated a funded ratio of 185.0 per cent. The Province's contributions to this plan in 2018 were $6.6 million (2017 – $6.5 million).

Accumulated Sick Leave Benefits
The Province's Regional School Boards, Health Authorities, and Nova Scotia Community College have collective agreements containing sick leave provisions that accumulate but do not vest. Under PSAS, governments must measure and record an obligation associated with the accumulated sick leave benefits (ASLBs) that are anticipated to be used in future years. The Province's ASLBs are unfunded, meaning there are no assets set aside to cover the related costs of these benefits in the future.

Due to the nature of these benefits, a liability and expense are measured using actuarial valuations to estimate their financial value. An actuarial assumption must be developed to reflect the probability of employees actually using ASLB "banked days". This involves a detailed

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5. Pension, Retirement and Other Obligations *(continued)*

analysis of several years of data to determine historical usage. A historical usage pattern is not based on the data group as a whole but must take into account a number of specific factors such as, but not limited to, gender, age, and type of contract or job functions, each of which may impact the anticipated amount of accumulated sick leave time to be taken in the future. As a result, the anticipated usage assumption may involve a number of criteria and circumstances that then must be applied to the data in coordination with other actuarial assumptions such as the discount rate, retirement age assumptions, future salary increases, mortality rates, etc. The liabilities for ASLBs recorded in 2018 were based on the most recent actuarial valuations performed between March 31, 2015 and August 15, 2017 and extrapolated to March 31, 2018.

Special Termination Benefits
The Province has offered early retirement incentive programs to members of the PSSP and TPP at various times commencing in 1986 and 1994, respectively. Qualified members were offered additional years of pensionable service if they elected to retire early. The cost of these benefits was accrued in the year the employee accepted the early retirement option and continue to be calculated using actuarial valuations. The liabilities for special termination benefits recorded in 2018 were based on the most recent actuarial valuations performed at December 31, 2016 and extrapolated to March 31, 2018.

(b) Summary of Balances at Year-End

($ thousands)

	2018			2017
	Pension Benefits	**Other Benefits**	**Total**	**Total**
Projected Benefit Obligation, Beginning of Year	3,736,448	1,962,567	5,699,015	5,542,249
Current Benefit Cost	75,486	77,899	153,385	143,810
Interest Cost	219,429	68,196	287,625	287,849
Actuarial (Gains) Losses	49,958	(2,867)	47,091	45,024
Benefit/Premium Payments	(239,406)	(89,671)	(329,077)	(322,085)
Other	1,834	1,110	2,944	2,168
Settlement	—	24,115	24,115	—
Projected Benefit Obligation, End of Year	3,843,749	2,041,349	5,885,098	5,699,015
Market Related Value of Plan Assets, Beginning of Year	2,664,236	—	2,664,236	2,545,296
Expected Return on Plan Assets	164,020	—	164,020	160,137
Actuarial Gains	29,504	—	29,504	49,880
Benefit Payments	(239,406)	—	(239,406)	(237,394)
Other	(246)	—	(246)	794
Employer Contributions	97,829	—	97,829	93,039
Employee Contributions	55,440	—	55,440	52,484
Market Related Value of Plan Assets, End of Year	2,771,377	—	2,771,377	2,664,236
Funded Status, End of Year	(1,072,372)	(2,041,349)	(3,113,721)	(3,034,779)
Unamortized Net Actuarial (Gains) Losses	259,162	(39,765)	219,397	243,344
Accrued Benefit Liability, End of Year	(813,210)	(2,081,114)	(2,894,324)	(2,791,435)

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As at March 31, 2018

5. Pension, Retirement and Other Obligations *(continued)*

(c) Actuarial Assumptions

The table below shows significant assumptions used to measure pension and other benefit plan obligations.

	2018		2017	
	Pension Benefits	**Other Benefits**	**Pension Benefits**	**Other Benefits**
Long-term inflation rates	2.00%	2.00%	2.00%	2.00%
Expected real rate of return on plan assets:				
TPP	4.26%		4.41%	
Rate of compensation increase	0.00% to 2.00% + merit	0.00% to 2.00% + merit	0.00% to 2.00% + merit	0.00% to 2.00% + merit
Discount rates:				
TPP	6.35%		6.50%	
Other Plans		3.42%		3.59%

Other assumptions

- 7.0 per cent annual rate increase in the cost per person for covered healthcare benefits in 2017-18, decreasing to an ultimate rate of 4.5 per cent per year over 15 years
- 7.0 per cent annual rate increase in the cost per person for covered prescription drugs in 2017-18, decreasing to an ultimate rate of 4.5 per cent per year over 15 years.

Actuarial assumptions are reviewed and assessed on a regular basis to ensure that the accounting assumptions take into account various changing conditions and reflect the Province's best estimate of performance over the long term.

The net unamortized actuarial gains (losses) are amortized on a straight-line basis over the expected average remaining service life (EARSL) of the related employee groups ranging from 5.0 to 17.0 years. The Province's weighted-average EARSL is 15.0 years.

(d) Sensitivity Analysis

Changes in actuarial assumptions can result in significantly different estimates of the projected benefit obligations. The table below indicates the possible changes to those obligations for the more significant benefit plans as a result of slightly different key actuarial assumptions.

($ thousands)					2018	
	Pension Benefits		**Other Benefits**		**Total**	
Possible change in obligations due to:						
a) Discount Rate – 0.5% Decrease	214,649	5.9%	166,619	9.7%	381,268	7.1%
b) Salary Growth Rate – 1.0% Increase	112,557	3.1%	27,122	1.6%	139,679	2.6%
c) Health Care Cost Trend Rate – 1.0% Increase	N/A	N/A	347,111	20.2%	347,111	6.5%

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5. Pension, Retirement and Other Obligations *(continued)*

The above sensitivity analyses are based on a change in one assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the projected benefit obligations to significant actuarial assumptions, the same method was applied as when calculating the projected benefit obligations recognized on the Statement of Financial Position.

(e) Net Benefit Plans Expense

The table below shows the components of the net benefit plans expense.

($ thousands)			2018	2017
	Pension Benefits	Other Benefits	Total	Total
Current Benefit Cost	75,486	77,899	153,385	143,810
Employee Contributions	(55,440)	(14)	(55,454)	(52,499)
Employer Contributions *	56,417	—	56,417	51,202
Settlement	—	24,340	24,340	—
Amortization of Net Actuarial (Gains) Losses	37,636	(768)	36,868	31,911
Recognition of Actuarial Losses on Settlement	—	6,803	6,803	—
Other	129	778	907	(39)
Interest Cost	219,429	68,196	287,625	287,849
Expected Return on Plan Assets	(164,020)	—	(164,020)	(160,137)
Employer Contributions to Multi-Employer Plan	180,654	6,578	187,232	185,172
Net Benefit Plans Expense	350,291	183,812	534,103	487,269
Recorded as:				
Fringe Benefits Expense	285,220	67,460	352,680	342,366
Pension Valuation Adjustment	9,662	48,156	57,818	17,191
Net Pension Interest Cost	55,409	68,196	123,605	127,712
Net Benefit Plans Expense	350,291	183,812	534,103	487,269

* This represents one-half of the employer contributions made by the Province to the TPP. Included in the figures above are one-half of all transactions associated with TPP to reflect the Province's share of this plan under joint trusteeship.

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6. Prior Years' Adjustments (PYAs)

Generally, PYAs reflect updates to the Province's forecasts and information obtained from the federal government relating to prior years. The current year revenues and corresponding PYAs are reported on Schedule 1 as follows:

($ thousands)			2018			2017
	Current	**PYA**	**Total**	**Current**	**PYA**	**Total**
Provincial Sources						
Personal Income Tax [1]	2,768,421	(29,164)	2,739,257	2,636,616	(19,738)	2,616,878
Corporate Income Tax	539,025	24,170	563,195	513,038	97,269	610,307
Harmonized Sales Tax	1,803,756	(30,628)	1,773,128	1,778,545	(81,644)	1,696,901
Petroleum Royalties [2]	9,118	260,025	269,143	9,870	(8,071)	1,799
Miscellaneous [3]	—	7,021	7,021	—	5,032	5,032
Large Corporations Tax [3]	—	(521)	(521)	—	1,349	1,349
		230,903			(5,803)	
Federal Sources						
Canada Health Transfer	965,873	(397)	965,476	944,419	1,120	945,539
Canada Social Transfer	357,451	(146)	357,305	349,511	124	349,635
		(543)			1,244	

1 *Included in Personal Income Tax PYA in 2018 is a $99.0 million positive adjustment relating to a change in estimate of the Graduate Retention Rebate tax credit. The Province had originally recorded this amount as repayable to the federal government but received confirmation that the amount was no longer payable. A negative adjustment was also included relating to the 2016 taxation year whereby high income individuals engaged in tax planning in advance of the federal top income tax bracket of 33.0 per cent being introduced.*

2 *Included in Petroleum Royalties PYA in 2018 is an adjustment for $232.0 million relating to the refiling of interest holder royalty returns attributable to an arbitration process concerning how transportation costs are treated in the Sable Offshore Energy Project (SOEP) royalty calculations. $28.0 million of the PYA is the result of a revised decommissioning cost estimate from the SOEP interest holders.*

3 *Included in Other Tax Revenue on Schedule 1*

7. Debt Servicing Costs

($ thousands)	**2018**	**2017**
CDN$ Denominated Debt	708,907	711,646
Pension, Retirement and Other Obligations	123,605	127,712
Capital Leases	8,177	9,386
Other Debt	10,159	8,438
Amortization of Premiums and Discounts on Unmatured Debt	1,185	426
Amortization of Foreign Exchange Gains	(15,657)	(20,594)
Total Debt Servicing Costs	836,376	837,014

Total debt servicing costs for the Province's government business enterprises were $10.8 million (2017 – $7.2 million) for the year ended March 31, 2018.

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8. Expenses by Object

($ thousands)	2018	2017 (as restated)
Grants and Subsidies	4,227,837	3,961,168
Salaries and Employee Benefits	4,091,799	3,907,170
Operating Goods and Services	1,873,170	1,674,484
Professional Services	284,400	267,307
Amortization	434,435	427,604
Debt Servicing Costs	836,376	837,014
Other	1,965	4,147
Total Expenses by Object	11,749,982	11,078,894

9. Cash Flow — Net Change in Other Items

($ thousands)	2018	2017 (as restated)
Increase in Receivables from Government Business Enterprises	(4,019)	(1,999)
Increase in Accounts Receivable	(391,797)	(72,161)
Increase in Short-Term Borrowings and Accounts Payable	126,432	721,758
Decrease in Inventories for Resale	884	3,421
Increase in Assets Held for Sale	—	(1,552)
Increase in Inventories of Supplies	(2,337)	(2,130)
Decrease (Increase) in Prepaid Expenses	(3,159)	3,897
Increase (Decrease) in Deferred Revenue	(49,969)	23,832
Increase (Decrease) in Accrued Interest	(43)	(1,845)
Increase in Pension, Retirement and Other Obligations	102,889	73,090
Total Net Change in Other Items	(221,119)	746,311

10. Contaminated Sites

Various provincially owned properties throughout the province are considered environmental or contaminated sites. Studies are ongoing to assess the nature and extent of damage to develop remediation plans. Provisions for these costs are recorded when it is determined a liability exists and a reasonable estimate of the remediation costs can be made. As at March 31, 2018, a total liability for contaminated sites of $285.5 million (2017 – $212.2 million) has been recorded in Accounts Payable and Accrued Liabilities.

Engineering and environmental studies generated estimates for the cost of remediation of the Sydney Steel Corporation (SYSCO) and adjacent sites as well as the Sydney Tar Ponds/Coke Ovens site. As a result, the Province recorded liabilities totaling $318.5 million in 2000 for environmental site clean-up. At March 31, 2018, $66.8 million (2017 – $68.1 million) remains unspent. This provision will continue to be utilized for future decommissioning, demolition, and remediation of SYSCO's and adjacent sites, including the long-term maintenance and monitoring of the Sydney Tar Ponds/Coke Ovens site. Based on currently available information, the provision, in aggregate, appears sufficient to cover the future estimated costs to remediate these sites.

10. Contaminated Sites *(continued)*

Other remediation liabilities amounting to $218.7 million (2017 – $144.2 million) have also been recognized, and include $204.9 million (2017 – $130.2 million) for the remediation of Boat Harbour in Pictou County. The Province's estimate for the removal of effluent is based on environmental studies, engineering reports, and extrapolation techniques similar to those that have been used at other contaminated sites with which the Province was involved. At this stage in the process, the Province continues to test and refine its current remediation strategy, and as a result there is still significant measurement uncertainty related to this estimate. A comprehensive remediation plan is expected to be finalized within the next two to three years.

The Province has identified various other sites where contamination is known or expected to exceed an environmental standard, and those which may contain certain levels of contamination but the extent is unknown. No liability for remediation of these sites has been recognized in these consolidated financial statements as there is either no basis for a reasonable estimate or the Province does not expect to give up any future economic benefits. In some cases, a risk-based remediation plan is being pursued to address any known safety hazards. Studies are ongoing to assess the nature and extent of damage and to develop remediation plans, if necessary. The Province may record a liability in the future if contamination at any of these sites is determined to exceed an environmental standard and a reasonable estimate of the related remediation costs can be made.

11. Contingencies and Contractual Obligations/Rights

(a) Contingent Liabilities

Lawsuits
The Province is involved in various legal proceedings arising from government activities. These disputes have resulted from breaches of contract, damages suffered by individuals or property, and related elements. These claims include items with pleading amounts and items where an amount is not specified. While the total amount claimed in these actions may be significant, their outcomes are not certain.

When a liability is determined to likely exist and the amount can be reasonably estimated, the amount is recorded as an accrued liability and an expense. The accrued liability for pending litigation in process at March 31, 2018 was $32.6 million (2017 – $29.9 million).

Guarantees
Guarantees by the Province are authorized by various acts of legislature and provided through specific agreements and programs to repay promissory notes, bank loans, lines of credit, mortgages, and other securities. Provisions for losses on guarantees are recorded when it is likely that a loss will occur. The amount of the loss provisions represents the Province's best estimate of future payments. Estimates take into consideration the nature of the loan guarantees, loss experience, and current conditions. The provisions are reviewed on an ongoing basis and changes in the provisions are recorded as expenses in the year they become known. Details on guarantees authorized, utilized, and accrued are presented in Schedule 8.

Other Contingent Liabilities
The Province also has contingent liabilities in the form of indemnities. The Province's potential liability, if any, cannot be determined at this time.

(b) Contingent Gains

The Province may receive funds in the future from recoveries of various types of claims paid out and other agreements pending the occurrence of certain events. Recoveries are recorded once the contingent events occur, are measurable, and collectability is reasonably assured.

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11. Contingencies and Contractual Obligations/Rights *(continued)*

(c) Contractual Obligations

As at March 31, 2018, the Province has contractual obligations as follows:

($ thousands) Fiscal Year	Governmental Units	Government Business Enterprises	Total Contractual Obligations
2019	1,245,312	11,485	1,256,797
2020	712,936	1,751	714,687
2021	663,395	1,723	665,118
2022	492,988	1,710	494,698
2023	451,698	1,600	453,298
2024 to 2028	1,863,092	—	1,863,092
2029 to 2033	1,710,202	—	1,710,202
2034 to 2038	608,406	—	608,406
2039 and thereafter	28,236	—	28,236
	7,776,265	18,269	7,794,534

These contractual obligations are comprised of $7,517.3 million from the General Revenue Fund, $258.9 million from the Province's governmental units, and $18.3 million from the government business enterprises. Included are contractual obligations from the Department of Health and Wellness of $3,363.8 million for service agreements with long-term care facilities and $261.3 million for the management of the ground ambulance fleet, $2,123.6 million from the Department of Justice for Royal Canadian Mounted Police (RCMP) policing services, $334.4 million from the Department of Labour and Advanced Education for university assistance, $351.3 million from the Department of Municipal Affairs for future commitments associated with the Federal Gas Tax transfer, $215.9 million from the Department of Education and Early Childhood Development for their commitment to exercise the purchase option on several P3 schools, $118.0 million from Halifax Regional School Board for transportation services, and $103.8 million from Nova Scotia Business Inc. for projects approved under various programs.

Leases

As at March 31, 2018, the Province was contractually obligated under various operating leases. Future minimum annual lease payments are as follows:

($ thousands) Fiscal Year	Governmental Units	Government Business Enterprises	Total Lease Payments
2019	82,286	13,694	95,980
2020	62,500	13,398	75,898
2021	49,747	11,420	61,167
2022	40,377	10,187	50,564
2023	24,884	9,233	34,117
2024 to 2028	37,368	16,883	54,251
2029 to 2033	1,776	—	1,776
	298,938	74,815	373,753

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11. Contingencies and Contractual Obligations/Rights *(continued)*

(d) Contractual Rights

As at March 31, 2018, the Province has contractual rights as follows:

($ thousands) Fiscal Year	Governmental Units	Government Business Enterprises	Total Contractual Rights
2019	199,536	—	199,536
2020	147,760	—	147,760
2021	131,107	—	131,107
2022	104,051	—	104,051
2023	97,601	—	97,601
2024 to 2028	124,909	—	124,909
	804,964	—	804,964

These contractual rights include $351.3 million from the Department of Municipal Affairs for the Federal Gas Tax transfer, $118.1 million from the Department of Education and Early Childhood Development for Early Learning and Child Care programs, and $100.1 million from the Department of Transportation and Infrastructure Renewal for the New Building Canada Fund.

12. Risk Management and Use of Derivative Financial Instruments

As a result of borrowing in both Canadian and foreign financial markets and being a party to financial instruments, the Province is exposed to interest rate risk, foreign exchange risk, credit risk, and liquidity risk. The Province employs various risk management strategies and operates within fixed risk exposure limits to ensure exposure to risk is managed in a prudent and cost effective manner. A variety of strategies are used, including the use of derivative financial instruments (derivatives). Derivatives are financial contracts, the value of which is derived from underlying instruments. The Province uses derivatives to hedge and to mitigate foreign exchange risk and interest rate risk. The Province does not use derivatives for speculative purposes.

Interest rate risk

Interest rate risk is the risk that debt servicing costs will vary unfavourably due to fluctuations in interest rates. To reduce its exposure to interest rate risk, the Province uses derivatives to manage the fixed and floating interest rate mix of its debt portfolio. Interest rate contracts include swap agreements and options on swaps. These contracts are used to vary the amounts and periods for which interest rates on borrowings are fixed or floating.

As at March 31, 2018, the Province has executed 38 interest rate swap contracts to convert certain interest payments from fixed to floating. These swaps have terms remaining of 0.2 years to 14.6 years, a notional principal value of $1.1 billion, and a mark to market value of –$22.0 million.

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12. Risk Management and Use of Derivative Financial Instruments *(continued)*

Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations. The Province manages its credit risk exposure from derivatives by, among other activities, dealing only with high credit quality counterparties and regularly monitoring compliance to credit limits. The Province's policy requires that a minimum credit rating for counterparties to derivative transactions be "A–" with a stable outlook as determined by the major credit rating agencies.

Liquidity risk

Liquidity risk is the risk that the Province will not be able to meet its financial commitments over the short term. To reduce liquidity risk, the Province maintains liquid reserves (cash and cash equivalents) at levels that will meet future cash requirements and will give the Province flexibility in the timing of issuing debt. In addition, the Province has a short-term note program, uncommitted bank lines, and discretionary sinking funds as alternative sources of liquidity. This risk is also managed by distributing debt maturities over many years and having up to 50.0 per cent of long-term debt with a maturity of over 15.0 years.

Foreign exchange risk

Foreign exchange risk is the risk that the cash flows needed to repay the interest and principal on loans in foreign currencies will vary due to fluctuations in foreign exchange rates. To manage this risk, the Province uses derivative contracts to convert foreign currency principal and interest cash flows into Canadian dollar denominated cash flows. Derivative contracts hedge the underlying debt by matching the critical terms to achieve effectiveness. Foreign exchange contracts include swap agreements that are used to convert the liability for foreign currency borrowing and associated costs into Canadian dollars.

The Province has currency swap contracts which convert foreign denominated debt into Canadian dollar denominated debt as follows:

($ thousands)

Termination Date	Original Currency	Original Principal	Current Currency	Current Principal	Mark to Market [1]
April 16, 2019	UK£	60,000	CDN$	114,387	(5,529)
February 1, 2019	US$	200,000	CDN$	198,000	53,821
July 1, 2019	US$	200,000	CDN$	199,900	47,313
November 15, 2019	US$	244,000	CDN$	246,318	59,468
March 1, 2020	US$	300,000	CDN$	409,200	(23,868)
May 1, 2021	US$	300,000	CDN$	312,002	70,359
April 1, 2022	US$	300,000	CDN$	379,517	8,985
July 30, 2022	US$	300,000	CDN$	329,310	47,225
	US$	1,844,000	CDN$	2,074,247	263,303
Total				2,188,634	257,774

[1] *Mark to Market is an indication of the swap's market value as at March 31, 2018. It is also the equivalent of the present value of future cash flows based on market conditions at March 31, 2018.*

NOVA SCOTIA

Province of Nova Scotia
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13. Trust Funds Under Administration

Trust fund assets solely administered by the Province are as follows:

($ thousands)	2018	2017
Nova Scotia Credit Union Deposit Insurance Corporation [1]	30,391	28,280
Public Trustee [2]	59,364	59,307
Miscellaneous Trusts [3]	32,420	26,960
Total Trust Funds Under Administration	122,175	114,547

[1] *- Represents trust with December 31 year-end*
[2] *- Financial statements of these funds are available in Public Accounts –Volume 2*
[3] *- Miscellaneous trusts include a large number of relatively small funds*

Other

The Nova Scotia Teachers' Union and the Province agreed to joint trusteeship of the Nova Scotia Teachers' Pension Plan (TPP) effective April 1, 2006. Under joint trusteeship, the Trustee of the Plan is the Nova Scotia Teachers' Pension Plan Trustee Inc., of which the Province has four of nine members. The Trustee is responsible for the administration of the Fund and investment management of fund assets. The total net assets available for benefits as at December 31, 2017 were $5.1 billion (2016 – $4.9 billion).

Effective April 1, 2013, the Minister of Finance and Treasury Board transferred responsibility of the Public Service Superannuation Plan to a new trustee, Public Service Superannuation Plan Trustee Inc. As a result of this transfer, the Province no longer has any responsibility for this plan. Total net assets available for benefits as at March 31, 2018 were $6.4 billion (2017 – $6.0 billion).

The Nova Scotia Public Service Long Term Disability Plan (LTD Plan) operates as a joint trusteeship. As such, the Board of Trustees is appointed by the two plan Sponsors: the Province and the Nova Scotia Government and General Employees Union. The Trustee is responsible for the administration of the Fund and investment management of fund assets. The LTD Plan is funded equally by employer and employee contributions and all liability for benefits resides exclusively with the LTD Plan's trust fund. Total net assets available for benefits as of December 31, 2017 were $160.0 million (2016 – $154.0 million).

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14. Related Party Transactions

Included in these consolidated financial statements are insignificant transactions with various provincial crown corporations, agencies, boards, and commissions. Significant related party transactions have been offset and eliminated for purposes of consolidated reporting. Parties are deemed to be related to the General Revenue Fund due to common control or ownership by the Province.

Related parties also include key management personnel having the authority and responsibility for planning, directing, and controlling the activities of the Province, their close family members, and any entities closely affiliated with these individuals. Key management personnel for the Province have been identified as the Premier, Cabinet Ministers, other MLAs appointed to Treasury and Policy Board, Deputy Ministers, Associate Deputy Ministers, and the senior leaders and Board members of the Province's controlled entities. The Province may enter into transactions with these individuals and entities in the normal course of business measured at the exchange amount.

For the year ended March 31, 2018, there were no transactions to report between the Province and key management personnel, their close family members, or any entities affiliated with them, at a price different than fair market value or under terms different than what two unrelated parties would agree to.

The most significant unadjusted related party transactions are described in more detail in Schedule 6 – Government Business Enterprises.

15. Comparative Figures

Certain of the prior year's figures have been reclassified to conform to the presentation format adopted in the current year.

NOVA SCOTIA

Schedule 1

Revenue
For the fiscal year ended March 31, 2018
($ thousands)

	2018	2017
		(as restated)
Provincial Sources		
Tax Revenue		
Personal Income Tax *	2,739,257	2,616,878
Corporate Income Tax *	563,195	610,307
Harmonized Sales Tax *	1,773,128	1,696,901
Tobacco Tax	210,710	222,234
Motive Fuel Tax	266,444	258,501
Other Tax Revenue *	181,545	171,718
	5,734,279	5,576,539
Other Provincial Revenue		
Recoveries	433,761	417,921
Other Revenue from Governmental Units	524,281	543,132
Municipal Contributions to School Boards	262,264	258,083
Petroleum Royalties *	269,143	1,799
Registry of Motor Vehicles	134,568	133,077
Other Government Charges	61,950	62,511
Miscellaneous	203,180	150,986
Net Gain on Disposal of Crown Assets	3,670	5,528
	1,892,817	1,573,037
Net Income from Government Business Enterprises	390,198	394,591
Investment Income		
Interest Revenue	133,083	95,072
Sinking Fund and Public Debt Management Fund Earnings	96,546	90,475
	229,629	185,547
Total Provincial Sources	8,246,923	7,729,714
Federal Sources		
Equalization Payments	1,794,968	1,732,893
Canada Health Transfer *	965,476	945,539
Canada Social Transfer *	357,305	349,635
Recoveries	344,835	264,142
Offshore Accord	19,957	33,255
TCA Cost Shared Revenue	75,880	24,337
Crown Share	15,944	2,176
Other Federal Transfers	158,709	148,389
Total Federal Sources	3,733,074	3,500,366
Total Revenue	11,979,997	11,230,080

* *See Note 6 for details of Prior Years' Adjustments*

Schedule 2

Expenses
For the fiscal year ended March 31, 2018
($ thousands)

	2018	2017
Agriculture		
Department of Agriculture	45,568	40,929
Nova Scotia Crop and Livestock Insurance Commission	2,993	2,377
Nova Scotia Harness Racing Fund	1,035	1,034
Perennia Food & Agriculture Incorporated	5,260	4,898
	54,856	49,238
Business		
Department of Business	263,842	58,250
Nova Scotia Business Inc.	55,729	39,714
Nova Scotia Innovation Corporation	13,257	15,721
Nova Scotia Strategic Opportunities Fund Incorporated	12	12
Tourism Nova Scotia	22,447	20,683
Trade Centre Limited	16,771	12,777
Waterfront Development Corporation Limited	7,376	5,482
	379,434	152,639
Communities, Culture and Heritage		
Department of Communities, Culture and Heritage	92,863	92,774
Art Gallery of Nova Scotia	3,722	3,226
Public Archives of Nova Scotia	175	169
Schooner Bluenose Foundation	20	13
Sherbrooke Restoration Commission	2,121	2,127
Vive l'Acadie Community Fund	36	33
	98,937	98,342
Community Services		
Department of Community Services	914,885	891,878
Housing Nova Scotia	183,142	186,751
	1,098,027	1,078,629
Education and Early Childhood Development		
Department of Education and Early Childhood Development	222,220	227,871
Annapolis Valley Regional School Board	153,414	146,087
Cape Breton-Victoria Regional School Board	164,746	162,237
Chignecto-Central Regional School Board	229,206	225,216
Conseil scolaire acadien provincial	80,072	74,866
Halifax Regional School Board	552,428	522,692
Nova Scotia School Boards Association	1,329	937
Nova Scotia School Insurance Program	4,534	4,377
South Shore Regional School Board	85,773	85,219
Strait Regional School Board	94,539	91,467
Tri-County Regional School Board	82,187	78,310
	1,670,448	1,619,279

Schedule 2

Expenses *(continued)*
For the fiscal year ended March 31, 2018
($ thousands)

	2018	2017
		(as restated)
Energy		
Department of Energy	52,333	36,716
Pengrowth Nova Scotia Energy Scholarship Fund	103	105
	52,436	36,821
Environment		
Department of Environment	36,249	36,214
Resource Recovery Fund Board Inc.	54,740	51,724
	90,989	87,938
Finance and Treasury Board		
Department of Finance and Treasury Board	20,832	23,431
3313086 Nova Scotia Limited	1,356	—
	22,188	23,431
Fisheries and Aquaculture		
Department of Fisheries and Aquaculture	13,185	11,910
Nova Scotia Sportfish Habitat Fund	376	316
	13,561	12,226
Health and Wellness		
Department of Health and Wellness	2,169,265	2,097,004
Gambling Awareness Foundation of Nova Scotia	226	118
Izaak Walton Killam Health Centre	258,120	260,721
Nova Scotia Health Authority	2,168,468	2,097,866
Nova Scotia Health Research Foundation	6,342	6,524
	4,602,421	4,462,233
Internal Services		
Department of Internal Services	185,933	180,180
Justice		
Department of Justice	312,961	302,861
CorFor Capital Repairs and Replacement Fund	—	43
Law Reform Commission of Nova Scotia	73	277
Nova Scotia Legal Aid Commission	26,245	24,953
	339,279	328,134
Labour and Advanced Education		
Department of Labour and Advanced Education	213,589	221,054
Nova Scotia Community College	220,460	215,396
Occupational Health and Safety Trust Fund	92	40
	434,141	436,490

Schedule 2

Expenses ***(continued)***
For the fiscal year ended March 31, 2018
($ thousands)

	2018	2017 *(as restated)*
Assistance to Universities	475,904	461,344
Municipal Affairs		
Department of Municipal Affairs	280,325	194,898
Nova Scotia E911 Cost Recovery Fund	5,172	4,599
Nova Scotia Municipal Finance Corporation	646	651
	286,143	200,148
Natural Resources		
Department of Natural Resources	77,667	78,720
Crown Land Mine Remediation Fund	23	30
Crown Land Silviculture Fund	2,196	3,319
Habitat Conservation Fund	239	234
Nova Scotia Primary Forest Products Marketing Board	54	50
Off-Highway Vehicle Infrastructure Fund	1,361	1,162
Species at Risk Conservation Fund	—	2
Sustainable Forestry Fund	500	—
	82,040	83,517
Public Service		
Public Service	204,750	194,984
Nova Scotia Utility and Review Board	8,718	8,361
	213,468	203,345
Seniors		
Department of Seniors	2,170	1,526
Transportation and Infrastructure Renewal		
Department of Transportation and Infrastructure Renewal	554,512	517,927
Harbourside Commercial Park Inc.	931	911
Nova Scotia Lands Inc.	2,961	3,027
Sydney Steel Corporation	—	7
	558,404	521,872
Restructuring Costs	79,876	53,619
Pension Valuation Adjustment	57,818	17,191
Refundable Tax Credits	115,133	133,738

Schedule 2

Expenses *(continued)*
For the fiscal year ended March 31, 2018
($ thousands)

	2018	2017 *(as restated)*
Debt Servicing Costs		
General Revenue Fund	797,091	794,718
Annapolis Valley Regional School Board	752	745
Cape Breton-Victoria Regional School Board	857	853
Chignecto-Central Regional School Board	1,164	1,188
Conseil scolaire acadien provincial	381	358
Halifax Regional School Board	3,447	3,566
Housing Nova Scotia	12,536	13,753
Izaak Walton Killam Health Centre	1,755	1,768
Nova Scotia Community College	2,279	2,334
Nova Scotia Health Authority	13,122	13,936
Nova Scotia Innovation Corporation	66	73
Nova Scotia Legal Aid Commission	330	412
Nova Scotia Municipal Finance Corporation	158	176
Nova Scotia Strategic Opportunities Fund Incorporated	1,102	1,611
Nova Scotia Utility and Review Board	28	33
Resource Recovery Fund Board Inc.	12	11
Sherbrooke Restoration Commission	10	38
South Shore Regional School Board	236	367
Strait Regional School Board	512	520
Tourism Nova Scotia	74	77
Trade Centre Limited	56	66
Tri-County Regional School Board	350	402
Waterfront Development Corporation Limited	58	9
	836,376	837,014
Total Expenses	11,749,982	11,078,894

Schedule 3

Loans and Investments
As at March 31, 2018
($ thousands)

	Loans and Investments	Provisions	Net 2018	Net 2017
Loans Receivable				
Agriculture and Rural Credit Act	187,633	20,191	167,442	167,659
Educational & Services Products (NS) Limited	15	—	15	15
Labour and Advanced Education – Student Loans Direct Lending	226,981	112,312	114,669	110,811
Fisheries Development Act	126,564	2,369	124,195	101,634
Halifax-Dartmouth Bridge Commission	160,000	—	160,000	160,000
Harbourside Commercial Park Inc.	1,203	—	1,203	—
Nova Scotia Business Inc.	32,892	13,631	19,261	22,255
Housing Nova Scotia	542,434	4,498	537,936	556,442
Nova Scotia Innovation Corporation	5,164	2,501	2,663	4,440
Nova Scotia Jobs Fund	564,266	222,722	341,544	380,841
Nova Scotia Municipal Finance Corporation	770,785	—	770,785	792,573
Nova Scotia Strategic Opportunities Fund Incorporated	—	—	—	12,073
Perennia Food & Agriculture Incorporated	210	—	210	—
Resource Recovery Fund Board Inc.	140	—	140	178
Venture Corporations Act	559	559	—	—
Waterfront Development Corporation Limited	14	—	14	22
Total Loans Receivable	2,618,860	378,783	2,240,077	2,308,943
Investments				
Art Gallery of Nova Scotia	3,627	—	3,627	3,878
Gambling Awareness Foundation of Nova Scotia	3,982	—	3,982	3,858
Nova Scotia Business Inc.	26,572	20,063	6,509	12,826
Nova Scotia Community College	12,380	—	12,380	10,107
Nova Scotia Health Authority	35,853	—	35,853	44,912
Nova Scotia Innovation Corporation	45,417	9,017	36,400	27,550
Nova Scotia Jobs Fund	25,712	22,462	3,250	3,000
Nova Scotia School Insurance Program	8,978	—	8,978	8,372
Nova Scotia Strategic Opportunities Fund Incorporated	—	—	—	64,986
Perennia Food & Agriculture Incorporated	3,504	—	3,504	1,770
Public Archives of Nova Scotia	2,096	—	2,096	2,027
Total Investments	168,121	51,542	116,579	183,286

The provisions listed above include $7.0 million (2017 – $1.3 million) for possible guarantee payouts from the *Nova Scotia Jobs Fund Act*. Also included in the provisions is $7.8 million (2017 – $8.2 million) for the Debt Reduction Assistance Program of the Department of Labour and Advanced Education Student Loans, of which $0.2 million (2017 – $0.2 million) relates to the student loans guaranteed by the Province.

Maturity dates for loans range from 2018 to 2047, with some loans having no set maturity date. Interest rates for loans range from 0.0 to 10.0 per cent, with some loans having variable interest rates. Investments have no set maturity dates or interest rates.

Schedule 4

Unmatured Debt
As at March 31, 2018
($ thousands)

			2018	2017
	Gross Unmatured Debt	Sinking Funds and Defeasance Assets	Net Unmatured Debt	Net Unmatured Debt
General Revenue Fund	16,104,448	2,835,385	13,269,063	12,926,877
Housing Nova Scotia	139,592	—	139,592	152,915
Nova Scotia Municipal Finance Corporation	7,281	—	7,281	8,038
Nova Scotia Power Finance Corporation	736,700	736,700	—	—
Waterfront Development Corporation Limited	4,455	—	4,455	1,990
Total Unmatured Debt	16,992,476	3,572,085	13,420,391	13,089,820

Gross Unmatured Debt
All debt is presented in Canadian dollar equivalents after giving effect to currency swap contracts itemized in Note 12.

Gross Unmatured Debt consists of the outstanding current and long-term debt of the Province's General Revenue Fund and governmental units. Current and long-term debt of the government business enterprises is reflected on the Consolidated Statement of Financial Position as part of Investment in Government Business Enterprises and further detailed in Schedule 6.

Sinking Fund Assets
As at March 31, 2018, the General Revenue Fund held Sinking Funds and Public Debt Management Funds of $2,835.4 million (2017 – $2,712.5 million). These funds were comprised of $1,945.5 million in Sinking Funds and $889.9 million in Public Debt Management Funds. The total market value of both funds was $3,015.1 million at year-end. During the year, contributions were $26.3 million, total earnings were $96.5 million, and there were no redemptions.

Sinking fund assets are recorded at cost, which include premiums and discounts associated with the purchase of these investments. These premiums and discounts are amortized on a straight-line basis over the term of the related investment. The net unamortized portion of the premiums and discounts relating to sinking fund assets as at March 31, 2018 was $18.1 million (2017 – $22.4 million) and is included as part of the value of the sinking funds.

Schedule 4

Unmatured Debt *(continued)*
As at March 31, 2018
($ thousands)

Sinking fund assets consist primarily of debentures of the provincial governments and Government of Canada with fixed interest rates ranging from 1.5 to 9.6 per cent. Sinking fund payments normally commence on the first anniversary date of the issue of the debenture and are designed to retire the debt over the relevant period to maturity. The Province held a carrying value of $493.9 million (2017 – $493.9 million) of its own debentures in Sinking Funds as active investments at March 31, 2018.

As per the Nova Scotia Power Corporation Privatization Agreement, Nova Scotia Power Finance Corporation provides for defeasance of its debt. The portfolio of defeasance assets consists of Nova Scotia Power Corporation, other provincial governments and utilities, and Federal US bonds, coupons, and residuals. This debt is shown net of defeasance assets on the Consolidated Statement of Financial Position.

Debt Repayments
Projected net principal repayments, capital lease payments, and sinking fund requirements for the next five years and thereafter are as follows:

	Net Principal Repayments	Capital Lease Payments	Sinking Fund Payments	Total Payments
2019	1,025,926	35,763	24,048	1,085,737
2020	1,191,116	28,969	17,899	1,237,984
2021	1,056,616	22,526	17,899	1,097,041
2022	1,201,582	7,582	10,017	1,219,181
2023	727,791	5,411	—	733,202
2024 and thereafter	7,930,902	116,344	—	8,047,246
	13,133,933	216,595	69,863	13,420,391

Net principal repayments are comprised of the principal amounts due on loans and debentures less available designated sinking funds to retire the debentures.

In addition, the Province has approximately $889.9 million (2017 – $876.5 million) in unrestricted sinking funds held in the Public Debt Management Fund. While these funds are not restricted by debt covenants, they are bound by legislation under the *Finance Act* to be used to pay or retire debentures, securities, or other debt instruments of the Province. The use of these funds is evaluated each year based on a detailed analysis of cash requirements and market conditions. These unrestricted sinking funds consist of cash and cash equivalents, primarily of Canadian financial institution bankers' acceptances and provincial commercial paper, and longer term investments of fixed and/or floating federal, federal agency, and provincial term credits.

	2018	2017
Term to Maturity		
Cash and Cash Equivalents	4,130	39,656
1.0 to 3.0 years	376,560	478,687
3.0 to 5.5 years	509,227	358,200
Public Debt Management Funds	889,917	876,543

Schedule 5

Gross Unmatured Debt
As at March 31, 2018
($ thousands)

	Foreign Exchange Rate	CDN $ Amount	Maturity Dates	Interest Rates
Debentures				
General Revenue Fund (CDN$)		15,874,285	2018 to 2062	1.6% to 11.8%
General Revenue Fund (US$)	0.776	—	2018 to 2032	5.1% to 9.5%
General Revenue Fund (UK£)	0.553	—	2019	11.8%
Nova Scotia Municipal Finance Corporation		7,281	2018 to 2032	1.8% to 2.2%
Nova Scotia Power Finance Corporation (CDN$)		350,000	2020 to 2031	10.3% to 11.0%
Nova Scotia Power Finance Corporation (US$)	0.776	386,700	2021	9.4%
Total Debentures		16,618,266		
Loans				
General Revenue Fund – Other Debt		13,568	2019 to 2022	1.3% to 2.3%
Housing Nova Scotia		139,592	2018 to 2043	1.1% to 6.6%
Waterfront Development Corporation Limited		4,455	Demand loan	—
Total Loans		157,615		
Capital Leases				
General Revenue Fund		216,595	2018 to 2043	6.0% to 7.2%
Total Capital Leases		216,595		
Gross Unmatured Debt		16,992,476		

Call, Redemption and Other Features

General Revenue Fund

Canadian debentures include $1,079.4 million in Canada Pension Plan (CPP) debentures, which are redeemable in whole or in part before maturity, on six months notice, at the option of the Minister of Finance of Canada.

The interest rates shown for the Canadian, US, and UK debentures reflect the fixed interest rates only. There are debentures that have floating interest rates. Floating interest rates are adjusted on a quarterly basis.

The US and UK debentures have been swapped to Canadian dollars.

Housing Nova Scotia

Mortgages and notes payable are secured by investments in social housing.

Schedule 6

Government Business Enterprises
As at March 31, 2018
($ thousands)

	Halifax-Dartmouth Bridge Commission	Highway 104 Western Alignment Corporation	Nova Scotia Liquor Corporation	Nova Scotia Provincial Lotteries and Casino Corporation	2018 Total	2017 Total
Cash	11,568	778	14,102	18,860	45,308	39,246
Accounts Receivable	757	1,740	5,342	62,787	70,626	60,108
Inventory	—	11	52,250	2,048	54,309	56,368
Investments	32,890	64,442	—	13,991	111,323	116,405
Tangible Capital Assets	260,663	30,530	39,781	73,389	404,363	393,589
Other Assets	320	510	5,504	7,029	13,363	15,894
Total Assets	306,198	98,011	116,979	178,104	699,292	681,610
Accounts Payable	8,061	7,733	46,338	122,537	184,669	184,574
Unmatured Debt	172,551	34,359	—	19,346	226,256	238,286
Other Liabilities	3,784	4,583	31,072	7,528	46,967	43,679
Total Liabilities	184,396	46,675	77,410	149,411	457,892	466,539
Equity	121,802	51,336	39,569	28,693	241,400	215,071
Total Liabilities and Equity	306,198	98,011	116,979	178,104	699,292	681,610
Total Revenue	32,677	24,283	630,239	452,102	1,139,301	1,107,676
Debt Servicing	5,056	3,666	968	1,072	10,762	7,221
Other Expenses	18,895	9,209	390,665	319,572	738,341	705,864
Total Expenses	23,951	12,875	391,633	320,644	749,103	713,085
Net Income	8,726	11,408	238,606	131,458	390,198	394,591

Government Business Enterprises *(continued)*
As at March 31, 2018

Halifax-Dartmouth Bridge Commission

The Halifax-Dartmouth Bridge Commission (HDBC), operating as Halifax Harbour Bridges, was created in 1950 by a special statute of the Province of Nova Scotia (now the *Halifax-Dartmouth Bridge Commission Act*). The purpose of HDBC is to construct, maintain, and operate bridges and their necessary approaches across the Halifax Harbour, between the communities of Halifax and Dartmouth, and across the North West Arm.

HDBC currently operates and maintains two toll bridges across the Halifax Harbour: the Angus L. Macdonald Bridge and A. Murray MacKay Bridge. In accordance with the *Halifax-Dartmouth Bridge Commission Act*, the Nova Scotia Utility and Review Board, a provincially controlled public sector entity, sets the rates, tolls, and charges to be paid for the use of the two bridges operated by HDBC.

In the spring of 2015, HDBC embarked on a significant and necessary project known as "The Big Lift". This involved replacing the road deck, floor beams, stiffening trusses, and suspender ropes on the suspended span of the Angus L. Macdonald Bridge. Now complete, a significant amount of the bridge infrastructure is new, leaving only the towers, main cables, and anchorages on the suspended span as original.

Long-Term Loan Agreements with the Province
2007 Loan Agreement — On July 25, 2007, HDBC entered into a long-term unsecured loan agreement with the Province for $60.0 million with a final maturity date of December 4, 2019. This agreement requires annual principal repayments of $3.0 million due on December 4th of each year with a final principal repayment of $9.6 million due on the final maturity date. At March 31, 2018, HDBC had a balance of $12.6 million (2017 – $15.6 million) repayable on the loan, of which $3.0 million is due within a year. Under the terms of the loan agreement, HDBC made a $17.4 million prepayment of the principal on October 22, 2014, which was applied against the final maturity payment due in 2019.

Interest is payable semi-annually on June 4th and December 4th of each year. The average interest rate over the life of the loan is 5.19 per cent. For the year ending March 31, 2018, interest expense on the loan was $0.8 million (2017 – $0.9 million), of which $0.2 million (2017 – $0.3 million) was accrued at year-end.

2015 Loan Agreement — On February 6, 2015, HDBC entered into a long-term unsecured loan agreement with the Province for $160.0 million in relation to the capital project to replace the suspended span of the Angus L. Macdonald Bridge (the Big Lift project). This loan is to be repaid over twenty years starting June 1, 2019 with annual principal repayments of between $4.0 million and $10.0 million. Interest is paid semi-annually on June 1st and December 1st of each year. The average interest rate over the life of the loan is 2.8 per cent. In 2018, $nil (2017 – $3.9 million) of interest charges relating to this loan were included with the cost of the Big Lift project in property, plant and equipment as capitalized interest during construction. For the year ending March 31, 2018, interest on the loan was $4.3 million (2017 – $4.3 million), of which $1.4 million (2017 – $1.4 million) was payable at year-end.

Restricted Reserve Funds
The 2007 and 2015 Loan Agreements require that HDBC maintain three reserve funds: an Operating, Maintenance & Administrative (OM) Fund, Debt Service Fund, and Capital Fund. At year-end, restricted assets for these funds totaled $18.5 million (2017 – $14.6 million) and were invested in GICs, bankers' acceptances, and term deposits with rates between 1.40 and 2.34 per cent. Interest income on restricted assets for the year totaled $0.5 million (2017 – $0.5 million).

Schedule 6

Government Business Enterprises *(continued)*
As at March 31, 2018

Halifax-Dartmouth Bridge Commission *(continued)*

Big Lift Fund
The Big Lift Fund consists of proceeds from the 2015 loan not yet expended on the Macdonald Bridge suspended span replacement project. Under the terms of the loan agreement, these amounts have been invested in term promissory notes issued by the Province of Nova Scotia. The promissory notes mature monthly, through September 2018, in various amounts to enable HDBC to make payments to third parties within the following 30 days in respect of capital improvements to the Macdonald Bridge.

Line of Credit Agreement with the Province
On June 30, 2008, HDBC entered into an agreement with the Province for a $60.0 million revolving, unsecured line of credit, which is available until December 5, 2019. At year-end, HDBC had no advances outstanding against this line of credit (2017 – $nil) and no draws or accrued interest for the year (2017 – $nil).

Highway 104 Western Alignment Corporation

The Highway 104 Western Alignment Corporation (H104) was established for the purpose of financing, designing, constructing, operating, and maintaining a 45 km stretch of highway (referred to as the Cobequid Pass) between Masstown and Thomson Station in the counties of Colchester and Cumberland, Nova Scotia. The *Highway 104 Western Alignment Corporation Act*, which authorizes the collection of tolls, states that toll collection will cease upon complete payment of all costs and liabilities relating to H104. This includes financing, design, construction, operation and maintenance, and any repair, improvement, alteration, or extension. The forecasted repayment date of all costs and liabilities relating to H104 is in 2026.

Related Party Transactions
H104 had a receivable from the Province in the amount of $1.6 million (2017 – $0.7 million) at year-end. Government grants are recognized initially as deferred income at fair value when there is reasonable assurance that they will be received and H104 will comply with the conditions associated with them. Grants to cover expenses incurred are recognized in profit or loss on a systematic basis in the same periods in which the expenses are recognized. Grants to cover the cost of an asset are deferred and amortized to operations over the expected project life or useful life of the asset using the straight-line method.

Transactions with various Crown corporations, ministries, agencies, boards, and commissions related to H104 by virtue of common control by the Province are included in the financial statements of H104 and are routine operating transactions carried out as part of H104's normal day-to-day operations. These transactions are individually insignificant, and collectively, include maintenance services of $1.3 million (2017 – $1.2 million), enforcement costs of $60.0 thousand (2017 – $60.0 thousand), inventory of $20.7 thousand (2017 – $14.0 thousand), and property, plant and equipment of $0.3 million (2017 – $0.4 million).

Omnibus Agreement
The Omnibus Agreement, dated April 1, 1996, is an agreement between H104, the Contractor, the Operator, and the Province to design, finance, construct, operate, and maintain the Highway 104 Western Alignment. Under this agreement, the Province retains ownership of the highway. However, H104 is granted the right to operate the highway and collect tolls for a 30-year period, after which time the right will revert to the Province. Overall, the Province has contributed $27.5 million to this project.

Schedule 6

Government Business Enterprises *(continued)*
As at March 31, 2018

Highway 104 Western Alignment Corporation *(continued)*

Restricted reserve accounts for capital, major maintenance, and debt service have been established in accordance with the Omnibus Agreement. At March 31, 2018, restricted assets totaled $64.4 million (2017 – $56.3 million) and were comprised of investments recorded at fair value and included accrued interest of $0.1 million (2017 – $0.1 million), a weighted-average term of 3.9 (2017 – 6.1) months to maturity, and a weighted-average interest rate of 1.61 per cent (2017 – 0.94 per cent).

Annual Roadway Maintenance Agreement
The annual roadway maintenance agreement is a 30-year agreement between H104 and the Department of Transportation and Infrastructure Renewal for the provision of annual roadway maintenance services and is renewable in five-year increments. The annual fee was $1.3 million for the current fiscal year (2017 – $1.2 million). During the year, H104 incurred management fees of $0.3 million (2017 – $0.2 million) to the Province.

Long-Term Debt
Long-term debt is comprised of senior toll revenue bonds bearing interest of 10.25 per cent per year, compounded semi-annually, and maturing March 31, 2026. The bonds are payable in equal installments of interest and principal. At year-end, H104 had $31.4 million (2017 – $34.4 million) of long-term debt and $2.9 million (2017 – $2.7 million) of debt maturing within one year. Interest expense on the long-term debt was $3.7 million (2017 – $3.9 million) for the year.

Minimum principal repayments for the next five years are as follows:
2019 – $2.9 million, 2020 – $3.3 million, 2021 – $3.6 million, 2022 – $4.0 million, 2023 – $4.4 million, and $16.1 million thereafter.

Long-term debt is secured by a first charge and security interest over all the present and future property and assets, including but not limited to, cash and securities held in trust, rights under all material contracts, and all accounts receivable and interest.

Nova Scotia Liquor Corporation

The Nova Scotia Liquor Corporation (NSLC) derives its mandate from the *Liquor Control Act*, Chapter 260 of the Revised Statutes of Nova Scotia, 1989. NSLC was created June 1, 2001, by Chapter 4 of the *Government Restructuring (2001) Act*, via continuance of the Nova Scotia Liquor Commission as a body corporate. NSLC operates retail sales locations across the province of Nova Scotia.

Related Party Transactions
During the year, remittances to the Minister of Finance and Treasury Board totaled $237.5 million (2017 – $247.0 million), which are disclosed in NSLC's statement of changes in equity. All other transactions with the Province are deemed to be collectively insignificant to NSLC with the exception of 3313086 Nova Scotia Limited. Transactions with 3313086 Nova Scotia Limited, controlled by the Province, were entered into during the course of the fiscal year and were included as a receivable of $1.4 million at year-end. 3313086 Nova Scotia Limited was established on December 20, 2017 to facilitate planning activities related to the implementation of cannabis distribution and retailing within the province of Nova Scotia.

Schedule 6

Government Business Enterprises *(continued)*
As at March 31, 2018

Nova Scotia Liquor Corporation *(continued)*

Subsequent Events
On April 17, 2018, the *Nova Scotia Cannabis Control Act* was passed in the Nova Scotia Legislature. This legislation provides the framework for how the legalization of cannabis will come into effect upon proclamation of the federal legislation. The Act gives the NSLC the authority to prepare for legalization, including the ability to wholesale, store, distribute, and sell cannabis, while complying with federal requirements and promoting responsible consumption. Upon passing of the Act, 3313086 Nova Scotia Limited was dissolved and, under the provisions of the Act, specific responsibilities and authorities related to cannabis distribution and retailing were assigned to NSLC. In addition, all rights, title, and interest in any real or personal property of 3313086 Nova Scotia Limited was vested in NSLC and all its obligations and liabilities became those of NSLC.

Equity
Upon conversion to International Financial Reporting Standards (IFRS) in 2012, NSLC reclassified its payable to the Minister of Finance and Treasury Board from a liability to equity. NSLC's equity was $39.6 million (2017 – $38.7 million) at year-end. NSLC's main objectives for managing capital are to ensure sufficient liquidity in support of its financial obligations to achieve its business plans and to continue as a self-sufficient entity in order to provide continuous remittances to the Province.

Nova Scotia Provincial Lotteries and Casino Corporation

The Nova Scotia Gaming Corporation (NSGC) was incorporated on February 15, 1995 by Chapter 4 of the Acts of 1994-95, the *Gaming Control Act*. The *Gaming Control Act* was amended on November 13, 2012, whereby the name of NSGC was changed to Nova Scotia Provincial Lotteries and Casino Corporation (NSPLCC). The principal activities of NSPLCC are to develop, undertake, organize, conduct, and manage casinos and other lottery business on behalf of the Province of Nova Scotia. Revenues of NSPLCC are derived from two casinos, located in Halifax and Sydney, as well as ticket and video lottery sales.

Payable to the Province
NSPLCC had a payable to the Province in the amount of $104.6 million (2017 – $101.2 million) at year-end. In addition to the net income of $131.5 million (2017 – $130.8 million), NSPLCC is required to pay to the Province 20.0 per cent of casino gaming revenue, otherwise known as win tax. This amounted to $15.4 million in the current year (2017 – $13.8 million).

Special Payments to Government Departments
NSPLCC is obligated to make direct payments annually to two provincial government departments: Department of Communities, Culture and Heritage (in support of the Cultural Federation of Nova Scotia and Sport Nova Scotia) and Department of Agriculture (in support of the Exhibition Association of Nova Scotia). In 2018, these payments totaled $0.2 million (2017 – $0.2 million).

As part of its 2005 and 2011 Gaming Strategies, the Province approved contributions of $3.0 million to the Department of Health and Wellness in 2018 (2017 – $3.0 million) to fund problem gambling treatment and $0.5 million (2017 – $0.5 million) to fund youth gambling prevention.

Schedule 6

Government Business Enterprises ***(continued)***
As at March 31, 2018

Nova Scotia Provincial Lotteries and Casino Corporation *(continued)*

Contribution to Gambling Awareness Foundation of Nova Scotia
Video Lottery (VL) retailers in Nova Scotia have agreed, under the terms of their agreements with Atlantic Lottery Corporation Inc. (ALC), to contribute one per cent of their VL commissions to the Gambling Awareness Foundation of Nova Scotia (GAFNS). NSPLCC has agreed to contribute an amount equal to all contributions made by the VL retailers. At March 31, 2018, NSPLCC had a payable to GAFNS in the amount of $43.0 thousand (2017 – $43.0 thousand).

Contribution to Nova Scotia Harness Racing Fund
NSPLCC annually contributes to the Nova Scotia Harness Racing Fund, pursuant to the *Nova Scotia Harness Racing Fund Regulations*. These contributions go towards supporting the harness racing industry in Nova Scotia. In 2018, the contribution was $1.0 million (2017 – $1.0 million).

Due to Atlantic Gaming Equipment Limited
At March 31, 2018, the amount due to Atlantic Gaming Equipment Limited was $19.3 million (2017 – $25.7 million), of which $7.0 million (2017 – $6.9 million) was classified as current. This liability represents a portion of ALC's debt used in the acquisition of property, plant and equipment operated on behalf of NSPLCC. All amounts are payable by ALC and are due on or before July 2026.

The debt is based on variable interest rates ranging from 1.9 to 3.5 per cent. The aggregate maturity of long-term debt, which is comprised of NSPLCC's portion of ALC's debt and debt incurred jointly with the other Atlantic provinces, for the next five years is approximately as follows: 2019 – $13.5 million, 2020 – $6.3 million, 2021 – $2.6 million, 2022 – $2.7 million, and 2023 – $2.8 million. Included in interest expense is $1.1 million (2017 – $1.1 million) relating to long-term debt.

Safe Gaming System Inc.
In May 2012, NSPLCC was made aware of a statement of claim filed by Safe Gaming System Inc. alleging a patent infringement related to its responsible gaming device known as the My-Play System. The amount claimed by the plaintiff is a royalty based on a percentage of amounts wagered on video lottery terminals in the province of Nova Scotia during the relevant time period. In a decision released on May 25, 2018, the plaintiff's motion was dismissed, and NSPLCC was awarded costs to defend itself. Procedures related to this action are ongoing and the amounts are undeterminable at this time.

Disputed HST Assessments
Included in accounts receivable at March 31, 2018 is $61.5 million (2017 – $53.5 million) that was paid to Canada Revenue Agency (CRA) for an assessment of HST in respect to the operation of certain video lottery terminals in the province. NSPLCC continues to remit amounts to CRA, on a without prejudice basis, solely to avoid the accumulation of interest and penalties. NSPLCC is contesting this matter with CRA and on November 14, 2016, through ALC, filed a notice of appeal to the Tax Court. The outcome of the appeal is undeterminable at this time. The amount paid to CRA has been classified as a non-current asset in NSPLCC's financial statements due to the uncertainty of when NSPLCC expects the dispute to be resolved.

Schedule 7

Tangible Capital Assets
As at March 31, 2018
($ thousands)

	Land	Buildings and Land Improve-ments	Machinery, Computers and Equipment	Vehicles and Ferries	Roads, Bridges and Highways	2018 Total	2017 Total
							(as restated)
Costs							
Opening Costs	1,024,431	5,208,467	1,694,069	206,366	3,247,192	11,380,525	10,981,348
Transfers	(1,092)	4,718	(6,814)	—	(271)	(3,459)	(46,771)
Additions	22,518	353,669	80,534	23,659	193,559	673,939	462,253
Disposals	(811)	(610)	(371,747)	(9,171)	(656)	(382,995)	(16,305)
Closing Costs	1,045,046	5,566,244	1,396,042	220,854	3,439,824	11,668,010	11,380,525
Accumulated Amortization							
Opening Accumulated Amortization	—	(2,464,219)	(1,334,196)	(131,703)	(1,686,100)	(5,616,218)	(5,247,669)
Transfers	—	(2,231)	2,963	—	16	748	43,991
Disposals	—	184	371,303	8,894	287	380,668	15,064
Amortization Expense	—	(162,882)	(84,363)	(18,172)	(169,018)	(434,435)	(427,604)
Closing Accumulated Amortization	—	(2,629,148)	(1,044,293)	(140,981)	(1,854,815)	(5,669,237)	(5,616,218)
Net Book Value	1,045,046	2,937,096	351,749	79,873	1,585,009	5,998,773	5,764,307
Opening Balance	1,024,431	2,744,248	359,873	74,663	1,561,092	5,764,307	5,733,679
Closing Balance	1,045,046	2,937,096	351,749	79,873	1,585,009	5,998,773	5,764,307
Increase (Decrease) in Net Book Value	20,615	192,848	(8,124)	5,210	23,917	234,466	30,628

Schedule 7

Tangible Capital Assets *(continued)*
As at March 31, 2018

Amortization is calculated on a declining balance basis for most assets of the General Revenue Fund. The amortization percentages of the more common tangible capital assets are as follows:

Buildings and Land Improvements	5 – 30 per cent
Machinery, Computers and Equipment	20 – 50 per cent
Vehicles and Ferries	15 – 35 per cent
Roads, Bridges and Highways	5 – 15 per cent

Capital leases of the General Revenue Fund are amortized on a straight-line basis over the length of each lease, ranging from 3 to 25 years.

Amortization is generally calculated on a straight-line basis for assets of the governmental units. The estimated useful lives of the more common tangible capital assets are as follows:

Buildings (including Leasehold Improvements) and Land Improvements	2 – 60 years
Machinery, Computers and Equipment	2 – 60 years
Vehicles and Ferries	3 – 7 years

Capital leases of the governmental units are amortized on a straight-line basis over the length of each lease, ranging from 5 to 45 years.

Social Housing assets are included in Buildings and Land Improvements and relate to Housing Nova Scotia. These assets are amortized using the straight-line method. The net book value of these assets is $251.0 million (2017 – $270.8 million).

Included in the closing costs of the various classes as at March 31, 2018 are costs for assets under construction, which have not yet been amortized. These costs relate to Buildings and Land Improvements of $173.0 million; Machinery, Computers and Equipment of $50.6 million; Vehicles and Ferries of $8.3 million; and Roads, Bridges and Highways of $49.4 million.

Capital leases are included in the various classes as at March 31, 2018 as follows: Buildings and Land Improvements – cost of $632.8 million, accumulated amortization of $397.2 million; Machinery, Computers and Equipment – cost of $38.2 million, accumulated amortization of $38.2 million; and Vehicles and Ferries – cost of $28.2 million, accumulated amortization of $16.6 million.

Schedule 8

Direct Guarantees
As at March 31, 2018
($ thousands)

	Foreign Exchange Rate	Authorized	2018 Utilized	2017 Utilized
Bank Loans				
Department of Labour and Advanced Education – Student Loan Program		345	345	632
Department of Transportation and Infrastructure Renewal (US$)	0.776	6,447	—	—
Nova Scotia Business Inc.		1,000	—	1,075
Nova Scotia Jobs Fund Act		61,600	48,743	48,598
Total Bank Loan Guarantees		69,392	49,088	50,305
Federal Loans				
Nova Scotia Strategic Opportunities Fund Incorporated		77,577	77,577	107,339
Total Federal Loan Guarantees		77,577	77,577	107,339
Mortgages				
Housing Nova Scotia Act		5,881	5,881	6,602
Housing Nova Scotia Act – Canada Mortgage and Housing Corporation Indemnities		53,721	53,721	41,166
Total Mortgage Guarantees		59,602	59,602	47,768
Total Direct Guarantees		206,571	186,267	205,412
Less: Provision for Guarantee Payout				
Department of Labour and Advanced Education – Student Loan Program			(198)	(348)
Housing Nova Scotia Act			(4,253)	(4,506)
Nova Scotia Business Inc.			—	(295)
Nova Scotia Jobs Fund Act			(7,005)	(1,266)
Nova Scotia Strategic Opportunities Fund Incorporated			(77,577)	(107,339)
			(89,033)	(113,754)
Less: Provision for Student Debt Reduction Program				
Department of Labour and Advanced Education – Student Loan Program			(169)	(217)
Net Direct Guarantees			97,065	91,441

(Not provided for in these Consolidated Financial Statements)

Schedule 9

Segment Reporting
For the fiscal year ended March 31, 2018

Segment reporting is designed to assist users in identifying the resources allocated to support the major activities of government and to better understand the performance of segments.

The following schedules provide segment information for the 2018 and 2017 fiscal years. Segment results represent the activities of that segment and include any inter-segment transactions. Inter-segment eliminations are shown in a separate column and show the reconciliation to total consolidated amounts. The Province has determined that the following segments represent the major activities of government.

Health
The provision of such services and institutions to the public that will lead to a higher state of personal health.

Education
The provision of all aspects and phases of training to equip people with necessary skills to pursue productive lives. This includes: Primary to Grade 12, post-secondary and advanced education, as well as labour support.

Infrastructure & Public Works
The provision of the means to facilitate the effective and efficient movement of persons and property. This includes the net results of the Halifax-Dartmouth Bridge Commission and the Highway 104 Western Alignment Corporation.

Social Services
The provision of services and assistance to economically and/or socially disadvantaged persons requiring aid.

Natural Resources & Economic Development
The provision for the maintenance and upkeep, efficient extraction, processing, and utilization of the natural attributes of the province with the aim of creating employment and contributing to the material well-being of residents.

Other Government
Revenues and expenses that relate to activities that are not identified as a separate segment or cannot be directly allocated on a reasonable basis to individual segments because they support a wide range of service delivery activities. This includes certain items from the General Revenue Fund such as general tax revenues, sinking fund earnings, debt servicing costs, and the pension valuation adjustment.

Schedule 9

Segment Reporting ***(continued)***
For the fiscal year ended March 31, 2018
($ thousands)

	Health		Education		Infrastructure & Public Works		Social Services	
	2018	**2017** *(as restated)*	**2018**	**2017** *(as restated)*	**2018**	**2017** *(as restated)*	**2018**	**2017**
Revenue								
Provincial Sources								
Tax Revenue	210,710	222,234	—	—	266,444	258,501	—	—
Other Provincial Revenue	519,263	526,789	463,046	447,045	22,458	21,978	111,140	109,156
Net Income from GBEs	—	—	—	—	20,134	24,562	—	—
Investment Income	1,135	880	10,502	9,153	—	—	24,737	25,638
Federal Sources	1,025,467	994,693	322,144	300,380	67,603	23,017	299,621	301,985
Total Revenues	1,756,575	1,744,596	795,692	756,578	376,639	328,058	435,498	436,779
Expenses								
Grants and Subsidies	1,832,781	1,878,992	726,056	723,971	19,279	14,569	804,850	781,451
Salaries and Employee Benefits	1,749,481	1,701,749	1,488,476	1,378,386	120,996	124,438	161,184	160,432
Operating Goods and Services	950,699	797,064	286,164	316,444	199,154	172,947	134,807	136,572
Professional Services	45,571	40,078	23,002	20,445	20,041	17,634	4,582	7,706
Amortization	93,016	93,547	84,668	83,472	198,501	192,001	23,573	23,449
Debt Servicing Costs	15,549	16,470	9,978	10,335	—	—	36,220	38,381
Other	—	725	—	—	—	—	—	—
Total Expenses	4,687,097	4,528,625	2,618,344	2,533,053	557,971	521,589	1,165,216	1,147,991
Segment Result	(2,930,522)	(2,784,029)	(1,822,652)	(1,776,475)	(181,332)	(193,531)	(729,718)	(711,212)

Schedule 9

Segment Reporting ***(continued)***
For the fiscal year ended March 31, 2018
($ thousands)

	Natural Resources & Economic Development		Other Government		Inter-Segment Eliminations		Total	
	2018	**2017** *(as restated)*	**2018**	**2017** *(as restated)*	**2018**	**2017**	**2018**	**2017** *(as restated)*
Revenue								
Provincial Sources								
Tax Revenue	385	360	5,256,740	5,095,444	—	—	5,734,279	5,576,539
Other Provincial Revenue	481,776	143,147	417,244	409,776	(122,110)	(84,854)	1,892,817	1,573,037
Net Income from GBEs	—	—	370,064	370,029	—	—	390,198	394,591
Investment Income	9,182	5,703	211,032	172,714	(26,959)	(28,541)	229,629	185,547
Federal Sources	52,794	44,728	1,965,445	1,835,563	—	—	3,733,074	3,500,366
Total Revenues	544,137	193,938	8,220,525	7,883,526	(149,069)	(113,395)	11,979,997	11,230,080
Expenses								
Grants and Subsidies	398,665	155,839	501,684	440,914	(55,478)	(34,568)	4,227,837	3,961,168
Salaries and Employee Benefits	127,134	127,034	477,284	422,351	(32,756)	(7,220)	4,091,799	3,907,170
Operating Goods and Services	147,645	125,786	162,303	140,440	(7,602)	(14,769)	1,873,170	1,674,484
Professional Services	14,841	14,408	177,462	168,226	(1,099)	(1,190)	284,400	267,307
Amortization	9,953	6,408	24,724	28,727	—	—	434,435	427,604
Debt Servicing Costs	1,600	2,162	824,828	824,169	(51,799)	(54,503)	836,376	837,014
Other	2,300	4,567	—	—	(335)	(1,145)	1,965	4,147
Total Expenses	702,138	436,204	2,168,285	2,024,827	(149,069)	(113,395)	11,749,982	11,078,894
Segment Result	(158,001)	(242,266)	6,052,240	5,858,699	—	—	230,015	151,186

Schedule 10

Government Reporting Entity
As at March 31, 2018

The General Revenue Fund is comprised of the Province's departments and public service units, special operating agencies, and special purpose funds, which are consolidated with the governmental units, government business enterprises, and a proportionate share of government partnership arrangements to form the Province's government reporting entity.

Departments and Public Service Units
(Consolidation Method)

Agriculture
Business
- Invest Nova Scotia Fund
- Nova Scotia Jobs Fund

Communities, Culture and Heritage
Community Services
Education and Early Childhood Development
Energy
Environment
Finance and Treasury Board
- Muggah Creek Remediation Fund
- Public Debt Management Fund
- SYSCO Decommissioning Fund

Fisheries and Aquaculture
Health and Wellness
Internal Services
Justice
Labour and Advanced Education
Municipal Affairs
Natural Resources
Public Service
- Aboriginal Affairs
- Communications Nova Scotia
- Elections Nova Scotia
- Executive Council
- Human Rights Commission
- Intergovernmental Affairs
- Legislative Services
- Nova Scotia Police Complaints Commissioner
- Nova Scotia Securities Commission
- Office of Immigration
- Office of Regulatory Affairs and Service Effectiveness
- Office of Service Nova Scotia
- Office of Strategy Management
- Office of the Auditor General
- Office of the Information and Privacy Commissioner
- Office of the Ombudsman
- Public Prosecution Service
- Public Service Commission

Seniors
Transportation and Infrastructure Renewal

Special Operating Agencies
(Consolidation Method)

Nova Scotia Apprenticeship Agency
Nova Scotia Home for Colored Children Restorative Inquiry
Sydney Tar Ponds Agency (inactive)

Special Purpose Funds
(Consolidation Method)

Acadia Coal Company Limited Fund
CorFor Capital Repairs and Replacements Fund
Crown Land Mine Remediation Fund
Crown Land Silviculture Fund
Democracy 250 (inactive)
Gaming Addiction Treatment Trust Fund
Habitat Conservation Fund
Nova Scotia Coordinate Referencing System Trust Fund
Nova Scotia E911 Cost Recovery Fund
Nova Scotia Environmental Trust
Nova Scotia Government Acadian Bursary Program Fund
Nova Scotia Harness Racing Fund
Nova Scotia Market Development Initiative Fund
Nova Scotia Nominee Program Fund
Nova Scotia Sportfish Habitat Fund
Occupational Health and Safety Trust Fund
Off-Highway Vehicle Infrastructure Fund
P3 Schools Capital and Technology Refresh Fund [1]
Pengrowth Nova Scotia Energy Scholarship Fund
Scotia Learning Technology Refresh Fund
Select Nova Scotia Fund
Species at Risk Conservation Fund
Sustainable Forestry Fund
Vive l'Acadie Community Fund

Governmental Units
(Consolidation Method)

Annapolis Valley Regional School Board
Art Gallery of Nova Scotia
Arts Nova Scotia
Cape Breton-Victoria Regional School Board
Check Inns Limited (inactive)
Chignecto-Central Regional School Board

[1] – *Includes all refresh funds related to P3 schools.*

Schedule 10

Government Reporting Entity *(continued)*
As at March 31, 2018

Governmental Units *(continued)*
(Consolidation Method)

Conseil scolaire acadien provincial
Creative Nova Scotia Leadership Council
Gambling Awareness Foundation of Nova Scotia
Halifax Regional School Board
Harbourside Commercial Park Inc.
  Sydney Utilities Limited
Housing Nova Scotia
  Cape Breton Island Housing Authority
  Cobequid Housing Authority
  Eastern Mainland Housing Authority
  Metropolitan Regional Housing Authority
  Western Regional Housing Authority
Invest Nova Scotia Board
Izaak Walton Killam Health Centre
Law Reform Commission of Nova Scotia
Nova Scotia Arts Council (inactive)
Nova Scotia Business Inc.
  Nova Scotia Independent Production Fund
Nova Scotia Community College
  Nova Scotia Community College Foundation
Nova Scotia Crop and Livestock Insurance Commission
Nova Scotia Farm Loan Board
Nova Scotia Fisheries and Aquaculture Loan Board
Nova Scotia Health Authority
Nova Scotia Health Research Foundation
Nova Scotia Innovation Corporation
  1402998 Nova Scotia Limited
  3087532 Nova Scotia Limited
Nova Scotia Lands Inc.
Nova Scotia Legal Aid Commission
Nova Scotia Municipal Finance Corporation
Nova Scotia Power Finance Corporation
Nova Scotia Primary Forest Products Marketing Board
Nova Scotia School Boards Association [1]
Nova Scotia School Insurance Exchange [2]
Nova Scotia School Insurance Program Association [2]
Nova Scotia Strategic Opportunities Fund Incorporated
Nova Scotia Utility and Review Board
Perennia Food & Agriculture Incorporated
Public Archives of Nova Scotia
Resource Recovery Fund Board Inc.
Schooner Bluenose Foundation
Sherbrooke Restoration Commission
South Shore Regional School Board
Strait Regional School Board
Sydney Environmental Resources Limited (inactive)
Sydney Steel Corporation
Tourism Nova Scotia
Trade Centre Limited (inactive)
Tri-County Regional School Board
Upper Clements Family Theme Park Limited (inactive)
Waterfront Development Corporation Limited
  3104102 Nova Scotia Limited
3052155 Nova Scotia Limited (inactive)
3313086 Nova Scotia Limited

Government Business Enterprises
(Modified Equity Method)

Halifax-Dartmouth Bridge Commission
Highway 104 Western Alignment Corporation
Nova Scotia Liquor Corporation
Nova Scotia Provincial Lotteries and Casino Corporation
  Atlantic Lottery Corporation (25% ownership)
  Interprovincial Lottery Corporation (10% ownership)
  Nova Scotia Gaming Equipment Limited

Government Partnership Arrangements
(Modified Equity Method) [3]

Atlantic Provinces Special Education Authority (approximately 56% share)
Canada-Nova Scotia Offshore Petroleum Board (50% share)
Canadian Sports Centre Atlantic (approximately 14% share)
Council of Atlantic Premiers (approximately 46% share)
Halifax Convention Centre Corporation (50% share)

[1] – *Entity is a partnership controlled by the eight school boards.*
[2] – *Entity is a partnership controlled by the eight school boards and the Nova Scotia Community College.*
[3] – *GPAs do not meet the threshold of materiality and cost-benefit to use the proportionate consolidation method.*

NOVA SCOTIA